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AMEND AND EXTEND THE SUGAR ACT OF 1948

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HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-NINTH CONGRESS

FIRST SESSION

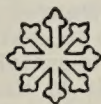
ON

H.R. 10496

AUGUST 18, 19, 20, AND 23, 1965

Serial N

Printed for the use of the Committee on Agriculture



AMEND AND EXTEND THE SUGAR ACT
OF 1948
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AMEND AND EXTEND THE SUGAR ACT OF 1948

WEDNESDAY, AUGUST 18, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, McMillan, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Purcell, Morrison, Matsunaga, O'Neal, Foley, Resnick, Stalbaum, de la Garza, Vigorito, Redlin, Greigg, Callan, Dague, Teague of California, Quie, Mrs. May, Latta, Dole, Walker, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We have a very brief statement to make.

I might say that in former years this committee has been criticized for our delay in reporting sugar legislation. Sometimes we found ourselves in the middle of the night just before adjournment working on a sugar bill.

Since the enactment of the previous act, this committee has been ready for 2 long years to receive recommendations which we did not receive. Now we have waited from January until August, and we finally do have a recommendation before us. So far as the present program is concerned, it has expired, and we must have new legislation. I am frank to say that I am glad that the administration has come up with a recommendation.

I am, also happy that the domestic industry has composed its differences and has presented a solid front. I understand that there is only one speaker for the domestic industry, a gentleman who has appeared here many times before the committee, Mr. Frank A. Kemp.

We now have under consideration on the floor of the House, the omnibus farm bill where all of us must be at approximately 12 o'clock. We therefore only have three witnesses listed for this morning. We have the Under Secretary of Agriculture and the Assistant Secretary of State.

We desire to say to the Under Secretary of Agriculture that we are glad to have you with us, and we will hear from you now.

(H.R. 10496, introduced by Mr. Cooley, follows:)

[H.R. 10496, 89th Cong., 1st sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar-----	3,025,000
Mainland cane sugar-----	1,100,000
Hawaii-----	1,110,000
Puerto Rico-----	1,140,000
Virgin Islands-----	15,000
Total-----	6,390,000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(2) For individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere—

Country	Per centum
Cuba-----	57.77
Mexico-----	7.29
Dominican Republic-----	7.21
Peru-----	4.50
Brazil-----	4.14
British West Indies-----	2.28
Argentina-----	1.19
Ecuador-----	.93
Nicaragua-----	.76
Guatemala-----	.66
Costa Rica-----	.65
Colombia-----	.52
Haiti-----	.35
El Salvador-----	.32
Panama-----	.27
British Honduras-----	.08
Venezuela-----	.05

“(B) For countries outside the Western Hemisphere—

Country	Per centum
Australia-----	3.49
India-----	1.81
South Africa-----	1.81
China, Republic of-----	1.26
France, the French West Indies and Reunion-----	.95
Fiji Islands-----	.85
Mauritius-----	.28
Southern Rhodesia-----	.17
Swaziland-----	.17
Malagasy Republic-----	.14
Ireland-----	.04
Belgium-----	.03
Turkey-----	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the follow :

Country	Short tons, raw value
Australia-----	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa-----	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium-----	788"

(4) Subsections (d), (e), and (f) are hereby amended to read as follows :
“(d) Notwithstanding any other provision of this Act—

“(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: *Provided*, That in no event shall the quota established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the following :

Country	Short tons, raw value
Australia-----	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2) (A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (2) (A) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B) : *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country other than Ireland for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year : *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (2) (A) on the basis of the quota then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (2) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (2) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) (2) (A) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That

the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importation relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, Belgium, and Panama may be filled by direct-consumption sugar to the extent of two thousand three hundred and eleven short tons, raw value, for Ireland; one hundred and eighty-two short tons, raw value, for Belgium; and three thousand eight hundred and seventeen short tons, raw value, for Panama."

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar"

and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(4) Subsection (b) is amended by adding a new paragraph (8) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released."

SEC. 11. Title IV of the Sugar Act of 1948, as amended, is amended as follows:

(1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established

for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is repealed.

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 12. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 13. The provisions of this Act shall become effective January 1, 1965.

STATEMENT OF HON. JOHN A. SCHNITTKER, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY HORACE GODFREY, ADMINISTRATOR, ASCS; TOM MURPHY, DIRECTOR, SUGAR POLICY STAFF, ASCS; AND JOHN BAGWELL, GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

MR. SCHNITTKER. Mr. Chairman and members of the committee, I am glad to be here to testify before the committee on sugar legislation. Unlike many members of this committee, particularly the chairman and the vice chairman, I am a newcomer to sugar discussions, but I have with me Horace Godfrey, the Administrator of the ASCS, which administers the Sugar Act, and Tom Murphy, the Director of the Sugar Policy Staff. And I am pleased to have with me at the table this morning, also, Mr. Anthony Solomon, the Assistant Secretary of State for Economic Affairs, who will make a short statement after I finish.

The administration's recommendation for amendment of the Sugar Act is, we believe, in the public interest. It is supported by all groups of the domestic sugar industry: farmers, processors, and refiners. For more than a year meetings have been going on within the executive branch, in the sugar industry, and more recently between the industry and the Government. We believe that the recommended program is fair to all who will be affected by it. Before discussing the proposal, I would like to review briefly the period since the last Sugar Act amendment was enacted in 1962.

The world's sugar economy has been disrupted in the last few years far more than in any other peacetime period in the last 40 years. During the fifties and for a year or two afterward, rising income throughout the world brought about expansion of sugar consumption at about double the rate of population growth, which itself was quite high. Meanwhile, in 1959, 1960, and 1961, replanting of canefields in Cuba was largely neglected. Then, in 1961 the authorities in Cuba, which for generations had been the world's sugar bowl, decided to diversify the economy. As a first step in that direction, all of the sugarcane then growing was cut in preparation for the planting of other crops. Traditionally, Cuba had followed the practice of storing sugar not only in the warehouses but also in most years as sugarcane carried over in the field from year to year.

The Cuban decision resulted in a very large 1961 crop but in much larger production losses for each of the next 3 years. Meanwhile, the 1962 and 1963 European beet sugar crops were well below normal partly because of production restrictions in the first year but mostly because of poor weather. The impact of all these events was dramatic. World inventories of sugar fell from a record level of 16 million tons in September 1961 to such an extent that last September they amounted to only 10 million tons and represented barely 2 months' consumption. This, despite the fact that high prices during the period of stock depletion had a highly restraining effect on world sugar consumption. In fact there was no growth whatever in sugar consumption during the 2 years preceding last September.

The changes in the supply-demand picture could not fail to gain expression in prevailing price levels. The world raw sugar price rose from an average of $2\frac{1}{2}$ cents per pound in the first half of 1962 to more than 12 cents per pound in May and again in November of 1963. It has since fallen to an average of less than $2\frac{1}{2}$ cents for the current year and is presently less than 2 cents.

High prices in the world market also affected the United States. During the period from February 1963 to June 1964 the price of raw sugar, duty paid at New York, averaged 8 cents per pound. Although on a comparable basis, this was $1\frac{1}{2}$ cents per pound below the average of the world market, it was also $1\frac{1}{2}$ cents above the usual price in the United States. Since the summer of 1964, sugar has been in ample supply. It was then that the world price again dropped below the domestic price which itself fell slightly below its customary level for the balance of the year. The domestic price during the current year has been in line with the price contemplated in the Sugar Act.

The supply and price developments just described affected production plans at home and abroad.

Sugar production had not been restricted in any domestic producing area between 1960 and the current year, except temporarily with respect to the 1963 mainland sugarcane crop. Production expanded rapidly in the mainland sugarbeet and sugarcane areas. Both areas were able to meet their quotas during the period of sugar scarcity and to add substantially to their inventories. The availability of domestically produced sugar and the cooperation of numerous foreign suppliers substantially tempered the impact of the worldwide shortage on sugar prices in the United States. This benefited sugar consumers but, unfortunately, both the mainland producing areas are left in the position of having large supplies of sugar which can not be marketed because of quota limitations under the current act.

When sugar was in short supply, production expanded more quickly in the United States than in other parts of the world and the United States is also the first country to cut back production. Both of the U.S. mainland sugar crops are restricted this year. Sugarcane acreage has been cut 13 percent below the 1964 level and sugarbeet acreage, 5 percent. Since acreage is guaranteed under the statute to reserve acreage growers in the localities where new sugarbeet factories have been constructed, the 5-percent cut for the sugarbeet area as a whole necessitated an average cut of 10 percent for all other growers who had produced sugarbeets prior to this year. Despite the production cut-backs, inventories will remain very large in both areas and further

production cutbacks may be needed. These reductions will be moderate if the Congress revises the quotas in line with the administration's recommendation.

Production throughout the world has within the last year increased markedly. With lower prices, world consumption once again has started to climb, yet the current 1964-65 crop estimated at a record 70 million tons is so large that probably about 7 million tons will be added to inventories.

Next year's crop of sugar throughout the world also is expected to be very large and inventories may continue to grow. What the future holds over the long term, no one can say. I have heard it said that we could not have a repetition of the 1963-64 experience, if for no other reason than that no country has such a large export potential to lose as Cuba once had. But our experience with sugar in the sixties prompts us to expect anything. The current world price for sugar of less than 2 cents a pound is well below the cost of production in practically every exporting country. If that price continues for a long time, world production will fall again, probably at some point to an insufficient level. The possibility of another shortage at some time in the future cannot be disregarded.

The administration's legislative proposal as finally developed in response to the events I have just recounted retains many of the features of previous legislation and provides a balanced approach to the needs of all groups affected by the Sugar Act: consumers, domestic producers, foreign suppliers, and the cane sugar refining industry.

Particular attention has been devoted to the interests of consumers. Quotas would be allocated to foreign countries to the degree that they demonstrated their willingness and their ability to service our market under the most trying circumstances; that is, when sugar was extremely scarce and when higher prices were available in other markets. The administration believes that this is the best method of assuring the needed level of imports not only during the extended periods when the United States is a premium price market but also in the exceptional periods when higher prices could be obtained by exporting to other destinations. Under the proposed legislation foreign suppliers would have further incentive to service our market at all times because they would be assured of a price more than double the present world price. The price would be attractive to efficient producers but hopefully not so high as to encourage production unduly. Exporting countries would be further encouraged to service our market at all times because nonperformance in any year would be grounds for reducing a country's quota in future years. The Government also believes and representatives of the two mainland sugar-producing areas agree that they should carry significantly larger inventories than was customary prior to the sugar shortage period.

Mainland producers would in effect receive an advance on market growth to enable them to work off their sugar inventories in an orderly manner and with only moderate further curtailment of production. The two mainland areas would receive quota increases beginning this year. Their quotas would then remain constant at all levels of national sugar consumption between 9.7 and 10.4 million tons before again being accorded participation in market growth.

Initially, the increase in domestic quotas would entail a reduction of imports from the level established by the 1962 amendments to the act. However, all market growth would go to foreign countries until consumption reaches 10.4 million tons annually, at which time the balance between domestic and foreign quotas under the present law would be virtually reestablished. Thus, supplying countries would probably recover their share of the market within the term of the proposed extension of the act. They would also be assured of a price which usually includes a substantial premium. Thus, foreign countries would have both volume and price protection.

The domestic price during the period of world scarcity could not have been held so much below the exorbitant world price level had it not been for the cooperation of many of our foreign suppliers. Each of them sustained a substantial loss of revenue by sending sugar to the United States during that period. At no other time during the life of the Sugar Act has domestic price been at so great a discount. The proposed allocation of foreign quotas at the present level of sugar consumption would—as does the administrative allocation for the current year—recognize the cooperation of our supplying countries. Quotas would be allocated essentially on the basis that each country contributed toward our import needs in 1963 and 1964 but with the latter year given double weighting. Although our foreign suppliers sustained a price discount on their imports to the United States in 1963, the price disadvantage at the time they committed 1964 supplies was much greater, hence the double weighting for that 1964 performance. Furthermore, when 1964 supplies were committed in the last weeks of 1963 and the first 2 weeks of 1964, sugar was much scarcer than in early 1963 when that year's imports were committed.

The market for refined cane sugar initially would be curtailed as compared to present law because of the increase in the quota for beet sugar which is produced from sugarbeets in a single operation. However, cane sugar refiners' share of the market would thereafter increase since all market growth would be assigned to foreign countries, whose imports become the raw material for cane sugar refiners. If sugar consumption continues to increase during the period of the extension, refiners' volume of business would be larger than the average for recent years, and by the end of the term of the extension it is expected that refiners' proportionate share of the market would also be virtually as large as under the present law.

I should make one further general comment before referring briefly to the details of the proposal. The administration recommends that the Cuban reserve be allocated to individual countries rather than globally as we recommended in 1962. The combination of country quotas and a global quota which enabled the United States to obtain sugar from most world sources, worked well during the difficult 1963–64 period. Sugar was obtained when needed in much larger quantities from a number of countries than could have been foreseen in advance. Now, however, and for the first time, countries have demonstrated what may be expected of them when supplies are scarce. This demonstrated performance makes it much safer to allocate imports on a country-by-country basis and to depend on obtaining sugar in any other manner only as a last resort prior to the suspension of quotas.

Before 1960 all of our present foreign suppliers, other than the Philippines, had imported into the United States less than 300,000 tons annually in total. By 1961, they were importing 10 times that much. In the last half of 1960, in 1961 and 1962, large carryovers of sugar existed in many of the countries for which another market could not be found even at the low world price. These surpluses made possible exports to the United States at a higher rate than current production would have supported. The surpluses had disappeared by 1963. Hence, 1963 and 1964 are peculiarly appropriate and available years to use as a base for allocating future import quotas.

Turning now to the details of the proposal, it is our recommendation that the Sugar Act be extended 5 years to December 31, 1971. Beginning with the current year, the marketing quota for the domestic beet sugar area would be established at 3,025,000 tons and the marketing quota for the mainland sugarcane area at 1,100,000 tons, to remain at those levels whenever the determination of national sugar requirements is between 9.7 and 10.4 million tons. The recommended quotas represent increases of 375,000 tons for the beet sugar area and 205,000 tons for the mainland sugarcane area as compared to present law, at a consumption level of 9.7 million tons. At higher levels of consumption, the increases become progressively smaller and together would amount to only 125,000 tons when consumption reaches 10.4 million tons. The two areas would share in future market growth when consumption exceeds 10.4 million tons and, conversely, the quotas for the areas would be reduced if consumption falls below 9.7 million tons—in each case, to the extent of 65 percent of such differences in total consumption. The quotas for the offshore domestic areas would be the same as under present law, resulting in total basic quotas for the five domestic areas of 6,390,000 tons. The recommended quota increases would enable the two mainland areas to market their current surpluses in an orderly fashion during the next few years with only moderate further curtailment of production. By 1971, it is probable that the relationship between domestic marketing and imports provided in the current act will have been virtually reestablished. Hence, the recommended term of the extension and the market sharing proposal are integral parts of a single plan.

An additional part is the recommendation that the sugarbeet acreage reserve program not be extended beyond 1966 except to protect the interests of those who have received the allocations authorized under the present provision of the law. Six new sugarbeet factories have been or are being constructed. In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of this extension.

A quota of 1,050,000 tons plus 10.86 percent of market growth between 9.7 and 10.4 million tons is recommended for the Republic of the Philippines.

A reserve quota would be established for Cuba amounting to 57.77 percent of total annual requirements after deducting the domestic and Philippine quotas. The replacement sugar for this reserve would be obtained under a system of temporary country-by-country quotas until such time as there is a friendly government in Cuba. The remaining 42.23 percent of imports from countries other than the Philippines would be available as permanent quotas for other foreign coun-

tries. With total national requirements of 9.7 million tons or less, both permanent and temporary country quotas would be prorated to countries which have imported sugar since January 1, 1963, on the basis of their contributions to our import needs during 1963 and 1964, with 1963 having a weight of 1 and 1964 a weight of 2. Additional imports stemming from market growth would be allocated principally to developing countries within the group, most of which are located in this hemisphere.

Deficits or shortfalls in any quotas would be prorated among Western Hemisphere countries and the Republic of the Philippines. However, both domestic areas and foreign countries would retain their rights to fill their full quotas despite declarations of deficit except in the case of a foreign country that has advised the Secretary it cannot fill its quota and he subsequently finds that the deficit was caused by force majeure. Such a finding would exempt the country from the permanent quota reduction which otherwise would apply.

The President could also allocate deficits within the Western Hemisphere on such basis as he finds appropriate if he determines that a departure from the pro rata allocation would be in the national interest.

The recommendation incorporates a number of other features designed to assure consumers adequate supplies at reasonable prices and to help stabilize sugar markets. Let me briefly discuss this.

If the Secretary finds it impracticable to obtain additional needed foreign supplies by increasing foreign quotas either (1) because the requirements determination is increased very late in the year when shipping for minor quantities from all countries would not be available or (2) because limited sugar supplies and increased prices have created or are likely to create an emergency situation interfering with the orderly movement of foreign sugar to the United States, then he could obtain the needed sugar from any friendly foreign country. In an emergency situation, the President can suspend quotas and in fact, he did so twice in the early years of the Sugar Act. To avoid such action except as a last resort, the Secretary under these provisions would be empowered while quotas are still in operation to obtain imports from any eligible source throughout the world at times when sugar is scarce and when domestic users presumably would be stockpiling in excess of current requirements. In this kind of a situation, we would expect each of our 30 foreign suppliers would not be able to furnish his pro rata share. Some might be able to furnish far more and in fact during the term of the act, sugar might also be available from countries which would not have quotas. The recommended provision would make such increments of sugar available, thereby tending to stabilize sugar prices in the United States at times when the world price may be exorbitant.

If any country fails to fill its quota, in future years that quota would be reduced except upon a finding of force majeure by the Secretary. The reduction would amount to the lesser of the quantity of the shortfall or the quantity by which imports during the shortfall year are less than 115 percent of the previous year's quota or in the case of the Philippines, the quantity by which its quota exceeds the quantity guaranteed by agreement. Thus, countries would have incentive to maintain reserve stocks for the U.S. market on the order of 15 percent of their quotas.

Authority to limit total imports during the first two calendar quarters of a year is recommended to guard against overly large importations in the early part of the year which could tend to depress domestic prices. Whenever the world price is well below the domestic price objective, there is a tendency to seek the price premium available in this market at an early stage of the year despite the limitation imposed by an annual quota on imports from each country. This tendency can be counteracted by limiting total imports in the first half of the year.

Mr. Chairman, I believe the recommendation which I have discussed and which is incorporated in the proposed bill transmitted along with a section-by-section analysis with Secretary Freeman's letter of August 17 to the Speaker of the House, and the President pro tempore of the Senate, constitutes a sound basis for amending and extending the Sugar Act.

The CHAIRMAN. I want to thank you very much for your presentation. At the time we reported the bill out in 1962, we warned the administration that all of these things might happen. Sugar did go to 10 cents a pound as you say in your statement, in May of 1962 and again in November of 1963. In my opinion, that was due to the global quotas. We had a sugar program that operated successfully for 20 years, so successfully that the average housewife of America did not even know that we had a sugar program. In all of that time we had a stability of prices with a stability of supply, and after we messed up the Sugar Act in 1962 we got into this trouble.

Now this bill is an effort to reward those people who responded to your request to send sugar into this market, because the price had gotten out of hand. I know that the administration had suggested to the sugar producers of the world to send sugar into this market, and as chairman of this committee I was asked to send such a cablegram, and I refused to do that. I said that I could not do it, because this committee had no authority to change the situation and we did not know what the administration would finally recommend in the way of world quotas.

Now you present us with a formula here which, if enacted, will reward those supplying areas which came to the rescue of the administration to keep prices in line or to keep prices at a reasonable level.

It is very good to have this recommendation, but I want to emphasize to you and to everybody else that this statement that you have presented and this bill that has been presented by the administration is merely a recommendation to this committee, because, after all, this is the legislative committee of the Congress of our country, and this is where the legislation will be written.

We will hear everybody who wants to be heard, but I want to make it perfectly clear that we are not accepting this either to approve or disapprove by one voice vote.

I am certain that this committee in its deliberations will very carefully consider section by section every provision in the bill which has been set up here. And I do not think that this committee is going to abdicate its responsibility and turn it over to anybody, any Cabinet officer, any bureaucrat, or anybody else.

We have 35 members on this committee who will sit here and work their will on this legislation.

On the original bill some years ago, we obtained a closed rule and sent it to the House by almost unanimous consent. We thought then that it was a good bill, and I think now that it was a good program. If it had been followed we would not be in this trouble now.

Now we have to do a major operation to get the sugar program back into operation as it should have been operating all along. I am saying this because I want to let you know and the Secretary and everybody else know that these 35 members are elected to perform their duty here for the people, and it will be performed by these 35 members.

As I have said, I am glad to have this statement and I am delighted that the administration has come around to our way of thinking about the country quotas under which we operated for so long.

I thank you again for the committee.

Are there any questions of the Secretary? Mrs. May?

Mrs. MAY. Mr. Schnittker, I commend you, as does the chairman of the committee, in the recommendations you have made regarding those countries that did supply sugar to us in the times when we needed it and at a loss in money to themselves in some cases. However, there is no mention in your statement of what our domestic sugar growers did to help in that emergency time, nor is there any mention in your statement of how they will be rewarded for increasing their production as they were requested to do by the Secretary of Agriculture. What is their reward?

Mr. SCHNITTKER. In the proposed legislation, Mrs. May, both the domestic areas will get an increase in their quotas, one by some 375,000 tons and the other, I believe, by 205,000 tons.

Mrs. MAY. The situation is that at the time they did attempt to alleviate the emergency situation, and their reward has been a cutback, particularly among old growers, and they have not been allowed to market the inventory of sugar that has piled up because they acquiesced to the request of the Secretary of Agriculture—so months later the USDA decides it is finally necessary that we allow them to market their sugar.

Mr. SCHNITTKER. The cutback which you refer to is in effect for the crop which will shortly be harvested.

Mrs. MAY. The cutback this year is somewhere in the neighborhood of 10 percent already.

Mr. SCHNITTKER. The acreages were increased, in fact, there were no controls on acreages, as I understand it, for 1961 through 1964, so that any cutback was from a level which had expanded during those years. In addition, a number of new areas were brought in under the previous Sugar Act. Part of the cutback on the traditional growers was sustained because under the statute the new areas could not be cut back in the current year.

Mrs. MAY. Yes.

Mr. SCHNITTKER. But I would say that our growers had 4 very good years of expansion. They will now get an increase in the quotas, just as some of the foreign suppliers will, and they have had, really, a very good sugar situation for a number of years, but they do have at this time some stocks built up which will have to be worked down.

Mrs. MAY. What good is expansion unless you can sell the product? I still think that it is essential to point out that the average American sugar farmer is not being rewarded for the production of sugar which

he produced and which he was not allowed to market and has been waiting for a long time for the Department of Agriculture to send a bill up here which would allow him to market these inventories. In the traditional areas they have had to cut back. And I am suggesting to you the Department of Agriculture, I think, that there should have been some mention made in your report thanking them, also, for coming to our help at that time.

May I ask one question, Mr. Chairman?

You have, also, made provision for our foreign suppliers in case of another emergency or a shortage, if it does arise. Under your bill you will allow them an opportunity to increase their quotas, to get sugar for this country. In these recommendations that you have made, so far as I can see you make no mention of what we might allow our American sugar farmers to do in case of an emergency or a shortage, or, let us say, international involvement. Under this bill, for 5 years there will be no formula for letting them have a chance to provide more sugar in times of emergency or shortage; isn't that true?

MR. SCHNITTKER. Mrs. May, I am going to ask Mr. Murphy, who is the head of the sugar policy staff, to answer this.

MRS. MAY. Yes. What would happen in a case like that, Mr. Murphy?

MR. MURPHY. Mrs. May, as you know, the President could suspend the quotas as a last resort, in which case any kind of sugar could be marketed. In a less severe situation of the kind that you are talking of it might well be that total quotas would exceed 10,400,000 tons, and if they did the mainland beet and cane areas would get the major share of such increases. Those are the two possibilities I believe they are for contribution by the mainland cane and sugarbeet areas over and above their domestic quotas.

MRS. MAY. But only if there is increased consumption in the United States, regardless of an emergency.

MR. MURPHY. That is true, Mrs. May.

MRS. MAY. In that case, it really is not a quid pro quo allowing the domestic areas to get their fair share of that market in an emergency. It would not be extra for them, since we would be getting foreign sugar. I do think that there should be something in the record to recommend that our domestic growers of cane and sugarbeets, in case we were involved in a national emergency or a shortage on a worldwide basis, be allowed a chance to increase sales. I am not satisfied that we have made any provision for that or laid the foundation for that. That is all.

THE CHAIRMAN. Thank you very much, Mr. Secretary.

MR. DOLE.

MR. DOLE. I want to thank the gentleman for a very fine statement and, also the chairman of the committee for getting this legislation before the committee. I trust we will work our will on it and hope this will be kept in mind this afternoon as we debate the farm bill on the House floor.

I understand that in western Kansas some of the beet producers are overplanted. Will they be able to market these excess acres of sugar this year?

MR. SCHNITTKER. They would not under either existing law or any features of this bill. That is not feasible.

Mr. DOLE. In other words, as the bill is written they could not market it?

Mr. SCHNITTKER. There is nothing in the present law and there is no amendment to the present law in this bill which would permit the marketing of overallotment planting.

Mr. DOLE. Do you see any possibility in the future that sugarbeet acreage for new plants will be extended under this bill or reinstated?

Mr. SCHNITTKER. Not in the life of this proposed 5-year extension. We think it is particularly inappropriate at a time when we have a domestic sugar surplus in stocks which have to go to market, plus an unprecedented world surplus, to propose authority for new areas coming into production or additional acreages in areas which may now be in production.

The CHAIRMAN. Thank you very much, Mr. Secretary.

We will now hear from Mr. Solomon. It is good to have a Solomon here this morning on this question.

Mr. SOLOMON. I know that this has been one very difficult decision, where a "baby" has to be cut up. So that I get the reference.

The CHAIRMAN. Identify yourself for the reporter.

STATEMENT OF HON. ANTHONY M. SOLOMON, ASSISTANT SECRETARY OF STATE; ACCOMPANIED BY GEORGE R. JACOBS, ACTING DIRECTOR, OFFICE OF INTERNATIONAL COMMODITIES, DEPARTMENT OF STATE

Mr. SOLOMON. My name is Anthony M. Solomon, Assistant Secretary of State for Economic Affairs. I appear on behalf of the Department of State in support of the proposals and recommendations of the Department of Agriculture. We concur with those fully and, in particular, with the allocations of foreign quotas which we feel recognizes the cooperation of those foreign suppliers who came to help us to meet our sugar needs during 1963-64 when the situation was critical.

I am here to answer any questions, but since my Department is in full accord with that of the Department of Agriculture I did not prepare a written statement.

I thank you.

The CHAIRMAN. That is all right, Mr. Secretary. We are delighted to have you here with us. Thank you gentlemen very much for your appearance. We will now call on our next witness, Mr. Frank A. Kemp, who is appearing on behalf of all the segments of the domestic sugar producing and refining industries. We are delighted to see you here.

STATEMENT OF FRANK A. KEMP, PRESIDENT, THE GREAT WESTERN SUGAR CO., ON BEHALF OF ALL SEGMENTS OF THE DOMESTIC SUGAR PRODUCING AND REFINING INDUSTRIES

Mr. KEMP. Chairman Cooley and members of the committee, I would like to suggest that I first present my statement in full and then attempt to answer any questions which the committee may have.

The CHAIRMAN. All right, Mr. Kemp, you may do so.

Mr. KEMP. That is, if it is agreeable to the committee, I will proceed on that basis.

My name is Frank A. Kemp. My home is in Colorado. I have been in the sugar industry since 1923. Since 1936 I have been president of the Great Western Sugar Co., one of the sugar beet processors. I am a trustee of the U.S. Beet Sugar Association and a member of the legislative committee of the established growers and processors of sugar beets in the United States. I have had the privilege of appearing formally before your committee in respect to sugar legislative proposals then under consideration four times previous to today—in 1947, 1951, 1955, and in 1962.

I appear here today as the representative of the entire domestic sugar industry, which is made up of five industry groups, as follows:

(1) The sugar beet growers and processors, with plants and production in 21 States, who together comprise the established U.S. beet sugar industry;

(2) The sugarcane growers and processors of the continental United States, whose lands and mills are in Louisiana and Florida;

(3) The Hawaiian Sugar Planters' Association, which represents the sugar producers in our 50th State;

(4) The Association of Sugar Producers of Puerto Rico; and

(5) The U.S. Cane Sugar Refiners' Association, with refineries and other installations in 12 States from Massachusetts and Illinois to Texas and California.

With your permission, Mr. Chairman, I should like the full list of the organizations for whom I speak inserted at the conclusion of my remarks. A copy of this list is attached to my statement which has been given to each member of the committee.

Last year, you will recall, the domestic industry was divided. In consequence, this committee did not consider extension and amendment of the Sugar Act of 1962. You, Mr. Chairman, and other members of the committee told us that we should develop a common legislative recommendation. You told us the same thing again early this year.

Recognizing the wisdom of this advice, leaders of the industry initiated a series of industrywide conferences. After many weeks of intense discussion, including considerable give-and-take and much soul searching on the part of every segment, the domestic industry, on March 24, finally evolved a legislative recommendation for presentation to this session of Congress. Upon being apprised of this development, you, Mr. Chairman, and other members of your committee suggested that we present this program to the Departments of Agriculture and State and other interested executive agencies, in order that there could be submitted to this committee, and through you to the Congress, a proposed recommendation for revision of present sugar legislation which would have been considered and found appropriate and would be endorsed and supported by the entire established domestic sugar industry and also by all of the executive agencies concerned with the commodity from one angle or another. This was done. After intensive discussions with all groups concerned, the executive branch has developed a recommendation, which you, Mr. Chairman, have introduced as H.R. 10496.

I should like to stress the significance and importance of these facts. This committee knows from its experiences with sugar legislation and with legislation affecting other commodities that the problem of deciding on a proper course has frequently been made more difficult by conflicting views and opinions as to what should be done on the part of those directly concerned and at times by differences in the points of view of the Government agencies involved.

That all of the groups concerned, both industry and Government, as a consequence of 9 months of consideration and discussion have presented a single recommendation is a fact of persuasive and compelling importance and I believe, of great advantage to this committee. In fact it is something of a miracle in legislative history to be given great weight in any determination of the national interest.

I am pleased now to inform the committee that each of the groups for which I appear completely supports H.R. 10496. But the domestic producing and refining industry has not considered the division of foreign quotas among the various claimants, nor did such division enter into any of the discussions between the industry and the executive branch. We agree with the board principle that such division should be made on some formula approach.

But we, also, say that the exact position of this committee will be determined by the committee itself in respect to these foreign national quotas.

Over the full course of these hearings an appeal or two of self-serving purpose may seem to test the claim I have made of complete unanimity of the domestic industry's support for the bill before you, such as a claim for a protected minimum production or other special privilege at the expense of others. But these claims for special privilege on examination will be found to be unsupported by controlling fact and irreconcilable with the approaches which were necessary to the effectuation of the overall endorsement. Therefore, all of the groups for whom I speak are opposed to the embroidery of the common understanding by any grant of special privilege.

H.R. 10496 has been very ably discussed in detail by the spokesman for the Government. A point-by-point analysis of the bill, with which we also concur, has been furnished you by the Under Secretary of Agriculture. In the interest of conserving the committee's time, I should like to restrict my testimony to three points.

One point relates to the time of the extension proposed by this bill. As you know, the Sugar Act has been amended or extended 13 times. These have included numerous extensions of 4 or 5 years' duration, such as that incorporated in H.R. 10496. Due to circumstances prevailing at this time, the term of the extension of the act is basic to the entire agreement.

Only under the term proposed can the following be accomplished:

- (1) Surplus beet and mainland cane sugar be disposed of as rapidly as possible, consistent with orderly marketing.
- (2) Excessive acreage cutbacks in the beet and mainland cane areas be avoided.
- (3) Refiner and import volume be gradually restored to approximately the same proportion as exists under present law.

If the amended act is not extended through 1971, these three basic objectives cannot be achieved.

The proposal in H.R. 10496 would set the marketing quotas for the mainland cane and domestic beet industries at the estimated level they would reach by 1971 under the 1962 Sugar Act amendments. This would enable the refiners and foreign suppliers to approximate their present positions by the end of the term of this extension. For this reason, any expiration date short of that recommended would jeopardize the united industry support for the bill.

The second point which I wish to make is the necessity of action on this measure at this session of Congress. For the effective operation of the sugar program and for the smooth transition from the existing law to the terms of this bill, many of the changes must become effective for the current calendar year.

Mr. Chairman, you and the ranking members of the committee with whom we met in March expressed pleasure and appreciation that the segments of the industry had been able to resolve the almost irreconcilable differences which confronted us this year. You were kindly complimentary in your remarks. You know what the industry went through to reach this agreement. I am confident that you also realize that failure to achieve sugar legislation this year would so further aggravate the frictions as to make it practically certain that the industry would be unable to achieve unanimity next year. For the good of the sugar program of this country, this must not be allowed to happen.

A third point on this legislation is added protection to consumers. This is accomplished in several ways:

(1) The bill eliminates the so-called global quota provision which was written into the 1962 Sugar Act. Temporary country-by-country quotas would replace the global quota. The industry believes this change will contribute materially to stability and assurance of adequate sugar supplies. And in that we follow the chairman in what he has already indicated to be his own belief on this point.

(2) H.R. 10496 provides penalties against the quotas of foreign countries which do not maintain sufficient reserves for the U.S. market to assure that they will be able to supply their proportionate part of any increase in their quotas. This is accomplished by reducing, in following years, the amount of their quota to the extent of the shortfall. This will encourage foreign suppliers to carry higher inventories and will be added insurance to U.S. consumers that their sugar needs will be met.

(3) Both domestic beet and mainland cane areas will carry larger inventories than they have in the past.

(4) The term of extension recommended in the legislation means that both domestic and foreign suppliers can plan their future production on a businesslike basis. Stability of supply, and therefore, stability of price, will be enhanced by the term recommended in the bill.

Mr. Chairman, throughout its history the sugar program has been an outstanding success. All elements of the industry share the conviction that the provisions of this bill, as they stand, will enable the sugar program to operate in the national interest more effectively and equitably than in the recent past. We believe the sugar program, as it would operate under the provisions of this bill, will give foreign sup-

pliers greater assurance of their place in the U.S. market, will permit domestic producers to market their existing surpluses in an orderly manner and, most of all, will insure adequate supplies at stable and reasonable prices for the benefit of American sugar consumers.

I hand the recorder a full list of the organizations for whom I speak and ask that it be included as the conclusion of my statement.

The CHAIRMAN. Without objections, that will be done.

Mr. KEMP. Mr. Chairman and members of this committee, I am grateful for the consideration you have always accorded the domestic sugar industry. On behalf of all the people I represent, I express deep appreciation.

(The document entitled "List of Organizations for Whom Frank A. Kemp Appeared" follows:)

LIST OF ORGANIZATIONS FOR WHOM FRANK A. KEMP APPEARED

U.S. SUGARBEET INDUSTRY

Alma Sugar Beet Growers, Inc.
 The Amalgamated Sugar Co.
 American Crystal Sugar Co.
 Ark Valley Beet Growers Association.
 The Big Horn Basin Beet Growers Association.
 Blissfield Beet Growers Association.
 California Beet Growers Association, Ltd.
 Cargo Sugar Beet Growers, Inc.
 Central Nebraska Beet Growers Association.
 Croswell Sugar Beet Growers Association.
 Findlay District Beet Growers Association.
 Finger Lakes Sugarbeet Growers Association.
 Fremont Beet Growers Association.
 Goshen County Cooperative Beet Growers Association.
 The Great Western Sugar Co.
 Gunnison Sugar, Inc.
 Holly Sugar Corp.
 Idaho Sugar Beet Growers Association.
 Layton Sugar Co.
 Lower Snake River Sugar Beet Growers Association.
 Michigan Sugar Co.
 Monitor Sugar Beet Growers, Inc.
 Monitor Sugar Division of Robert Cage Coal Co.
 Montana-Wyoming Beet Growers Association.
 The Mountain States Beet Growers Marketing Association of Colorado.
 The Mountain States Beet Growers Marketing Association of Montana.
 The Nebraska Non-Stock Cooperative Beet Growers Association.
 Northern Ohio Sugar Co.
 Northwest Nebraska Beet Growers Association.
 Nyssa-Nampa District Beet Growers Association.
 Red River Valley Sugarbeet Growers Association.
 Saginaw Sugar Beet Growers, Inc.
 Sebewaing Sugar Beet Growers Association, Inc.
 Southern Colorado Beet Growers Association.
 Spreckels Sugar Co.
 Union Sugar Division, Consolidated Foods Corp.
 Utah-Idaho Sugar Co.
 Utah Sugar Beet Growers Association.
 Washington Sugar Beet Growers Association.
 The Western Colorado Beet Growers Marketing Association.
 Western Montana Beet Growers Association.

MAINLAND SUGARCANE INDUSTRY

American Sugar Cane League of the U.S.A., representing more than 5,000 growers and 40 processors.

Florida Sugar Cane League, representing the 11 Florida sugarmills and all of the sugarcane growers in Florida.

HAWAIIAN SUGARCANE INDUSTRY

Hawaiian Sugar Planters' Association

PUERTO RICAN SUGARCANE INDUSTRY

Association of Sugar Producers of Puerto Rico	Central Monserrate, Inc.
Antonio Roig, Sucesores, S. en C.	Central San Francisco.
Azucarera Cayey, Inc.	Compania Azucarera del Camuy, Inc.
Central Aguirre Sugar Co.	Cooperativa Azucarera Los Canos
Central Coloso, Inc.	C. Brewer Puerto Rico, Inc.
Central Eureka, Inc.	Plata Sugar Co.
Central Igualdad, Inc.	Soller Sugar Co., Inc.
Central Mercedita, Inc.	South Puerto Rico Sugar Corp.

U.S. CANE SUGAR REFINING INDUSTRY

U.S. Cane Sugar Refiners' Association	Imperial Sugar Co.
American Sugar Co.	Refined Syrups & Sugars, Inc.
J. Aron & Co., Inc.	Revere Sugar Refinery
California & Hawaiian Sugar Refining Corp.	Savannah Sugar Refining Corp.
Henderson Sugar Refinery, Inc.	The South Coast Corp.
	Su Crest Corp.

The CHAIRMAN. Mr. Kemp, we are very grateful to you for this splendid statement and I am certain that the committee is delighted, as I am, that the domestic industry has composed all of its differences and now agree both as to what should be done and what should be contained in the bill. I want to compliment the industry for confining its deliberations to the things that should be considered by the committee. As I said when we opened the hearings, it is not a matter of filling up the foreign quotas. I am sure that the committee will faithfully and diligently discharge its duties in that connection.

Are there any questions?

Mr. QUIE. I would just like to ask Mr. Kemp in regard to the import fees. The organization that you represent agrees that there should be none.

Mr. KEMP. It supports this bill, Mr. Quie.

The CHAIRMAN. They support the bill.

Mr. QUIE. The Department does not indicate that.

The CHAIRMAN. That is all right. Thank you very much. Mrs. May.

Mrs. MAY. Mr. Chairman, I think you know, I have been a strong supporter of our domestic growers.

Mr. KEMP. You have, indeed, Mrs. May.

Mrs. MAY. I have been disappointed with the domestic quotas in this bill, to put it rather mildly. What chance do we have of increasing the domestic quotas?

Mr. KEMP. Mrs. May, I think that you share with me a better understanding than many people have of the fierce competition within the sugar business, both between the domestic interests as a whole and the foreign suppliers and between some of the elements of the domestic industry itself.

We have found, and you have indicated in your questions to the Secretary of Agriculture the reasons for our predicament. We have

made what we thought was in the national interest, at the instigation of the Department, more sugar than we had quotas to sell, and we now have what to many units of the industry, both in cane and beet sugar, really, is a burdensome surplus. Our first need at the moment is the privilege of marketing that sugar in an orderly fashion, and without that privilege we will be in a very critical position. This bill increases the former quotas of both beet and mainland cane to a rather substantial degree.

It is true that for the period of this bill we have that fixed maximum and we do not get it increased by growth or anything else, yet, in the light of the competition that exists in the industry I, personally, feel that this is as good a solution as might have been worked out, and the support which all of the domestic industry has given to this proposal evidences the complete unanimity of the whole industry.

Mrs. MAY. For the record, Mr. Kemp, you know the kind of bind we are in within the industry—we both know what it is—we have taken somewhere in the neighborhood of 11 percent voluntary cutback, as I mentioned previously, in acreage. What will the cutback be that you anticipate under this bill, let us say, next year?

Mr. KEMP. Mrs. May, that will depend upon two facts that have not yet been made clear.

One, what will the production of this crop be after the 11-percent cutback that we took which you mentioned. And, certainly, what will be the level of inventory which the two industries respectively carry? Without those facts it is difficult, I think, to hazard a guess as to how much the next cut will be and when it will take place. If we get this quota, the second cutback to be made in the 1966 acreage will, of course, be very much less than if we continued to operate under the terms of the 1962 bill. If we were to face that there are people in the industry who have estimated that the cut would be above 25 percent. That is, we will have another 25-percent cut added to the 11 percent that we took this year.

Mrs. MAY. In other words, the situation that faces those of us in the domestic producing areas is that we will face another cut at some level next year, but in the absence of any legislation there will be a cut of over 25 percent?

Mr. KEMP. That is my own personal judgment and I think the experts in the industry agree with that.

Mrs. MAY. One more question, Mr. Chairman. Mr. Kemp, I put this question to Mr. Schnittker, and I would like to put it to you, perhaps, in a little different way.

Do you feel that the recommendations which have all been agreed upon by the industry are firm in case of a sudden or unexpected emergency, such as greater involvement in international military affairs, such as we have in Vietnam—do you feel that these recommendations for a period of 5 years are subject to any change?

Mr. KEMP. I think that I would like to answer that question, Mrs. May, in two parts.

First, I cannot and you cannot and no one here in this room can predict the nature of some worldwide catastrophe or conflagration that might confront this country. I do not think that I would like to anticipate any such dreadful event, nor what this committee, or the Congress, or the industry might think was appropriate under the circumstances. I do say that if what we are talking about, whether the

domestic industry supports this bill and the terms of the bill and is willing to accept the facts as expressed in this legislation for the term of the bill, I merely want to point out to you the wide and almost unanimous support of the industry to those facts.

Mrs. MAY. I understand that. I understand your viewpoint, Mr. Kemp, but I do think that it ought to be made clear in the record that in the event that such an emergency arises that the Congress would have a big responsibility here to the domestic industry, in this case, and I do not think that we should feel that by accepting these recommendations at this time that we tie ourselves to a course of action, so far as unexpected emergencies are concerned, and I, certainly, feel that way and I would like to show it in the record. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Jones.

Mr. JONES of Missouri. Am I to understand that by the endorsement of, and the apparent wholehearted support of, all segments of the domestic sugar industry that any hope which has been entertained by those who have been working for many years to develop a sugarbeet industry in a new area, that their hope there must now be abandoned, at least, until after the proposed expiration of this act in 1971 and, also, that there is no prospect of any new processing plants being built in any new areas?

Mr. KEMP. Mr. Jones, I am not going to answer that as bluntly as might be expected. The difficulty, of course, is that having already been cut and facing the prospects of another cut as they do, the established growers who have maintained this industry under the present plan would have to surrender—in the light of this fixed quota to the industry—they would have to surrender further of their attained productivity in order to allow new people to take a part of that acreage. Now I do not think that this, in all respects, forecloses some change within the domestic industry. In our own case, for example, I know that two old sugarbeet factories were abandoned this year. And I do not doubt that in the course of the 4 or 5 years that we will run through this pattern, that there may be other changes.

It is true, however, in order to protect from still further cuts the so-called new area provisions that were written for the first time into the bill in 1962 have been omitted.

Mr. JONES of Missouri. In other words, the people down in my area where you have been so cooperative, might just as well look to some other crop, rather than sugarbeets—is that what it amounts to?

Mr. KEMP. Not entirely, sir. I still think, Mr. Jones, and my friends in your wonderful part of the country, I am sure, will agree with this, that we need to go still further in developing the potential sugarbeet growing possibility in that area and we have not yet solved some of the agronomic questions that would, certainly, confront anyone undertaking to spend the money that a new factory would cost. You have to get the facts.

The CHAIRMAN. If you will yield.

Mr. JONES of Missouri. Yes.

The CHAIRMAN. If there was a substantial increase in sugar consumption, it might change the situation, might it not?

Mr. KEMP. Yes, because the minute that we get over 10,400,000 tons we begin to get an addition to our quota.

The CHAIRMAN. That is what I thought. Thank you very much. Mr. Teague of California.

Mr. TEAGUE of California. I have a question along that very line, Mr. Chairman. In recent years, the life insurance industry, doctors, that is, medical doctors have been directing a campaign about overweight, as has the dental profession which seems to have the opinion that too much sugar is bad for one's ivories. In the periods of stable and reasonable prices in this country, is the per capita consumption going to remain about the same and stable or is it going to change?

Mr. KEMP. I think that there has been some evidence that there has been a diversion of former sugar users to some of these things that do not contain sugar, but the general impression is that that has somewhat leveled out. And I confidently expect that we can maintain the high standards in which this country is operating; that this necessary food will be in still greater demand and we will continue to increase our consumption.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. Mr. Chairman, I am sorry that I missed most of your testimony, Mr. Kemp. I was at another meeting. I would like to ask Mr. Kemp this question—since you stated that you were in agreement with this bill of taking an 11-percent domestic production cut—what, if any, reduction is being made under this bill on foreign imports, what is the cut there?

Mr. KEMP. There is some in the total, but I cannot tell you exactly how it will affect anyone of these claimant countries. Actually, Mr. Latta, it is my belief that when this committee gets through with writing the foreign quotas you will find that some countries will have larger quotas than they had under the 1962 act; and others will have less.

The CHAIRMAN. If I may interrupt?

Mr. LATTA. Yes.

The CHAIRMAN. By increasing the quotas for the domestic areas, to that extent you decrease the quotas coming in from offshore areas and foreign countries; do you not?

Mr. KEMP. In total; yes.

Mr. LATTA. Where do you get the figure of 11-percent reduction?

Mr. KEMP. The 11-percent reduction was what was required in the setting of acreages for the 1965 crop over the larger production that the industry, that is, the two industries had achieved when they were without any restrictions whatever. We had a free-for-all in 1963 and 1964 and we had to be snubbed back to something in relation to our quotas.

Mr. LATTA. Thank you.

The CHAIRMAN. Are there any further questions? If not, we appreciate your appearing here today.

I would like to make one brief statement. We have the farm bill up for consideration in the House and we hope to finish with that today. Whether we finish with it or not, we will go on with these hearings tomorrow morning at 10 o'clock.

Thank you very much.

(Whereupon, at 11:20 a.m., the hearing was recessed to reconvene at 10 a.m. on Thursday, August 19, 1965.)

AMEND AND EXTEND THE SUGAR ACT OF 1948

THURSDAY, AUGUST 19, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m. in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Purcell, Matsunaga, O'Neal, Stalbaum, de la Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Dague, Belcher, Teague of California, Quie, Mrs. May, Latta, Harvey of Indiana, Dole, Burton, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will be in order. The Chair recognizes the Honorable Frank E. Evans from Colorado. We are glad to have you with us this morning.

STATEMENT OF HON. FRANK E. EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. EVANS. Mr. Chairman and members of the committee, I deem it a privilege to be able to appear before this distinguished committee this morning. I will not take any more time than necessary, because I have a feeling that there are many matters on the chairman's mind and the minds of the members of the committee these last few days, so that I will be as brief as I can.

I come here principally to introduce Mr. John F. Kelly who is here to testify on a matter of direct and vital interest to the Third Congressional District of Colorado. We want to bring to your attention the effect that the sugar bill as now proposed would have on the National Sugar Co. of Crowley County, Colo. The company is a single-plant processor and is the smallest in the Nation.

Briefly, the best available information shows that the acreage allotment and the marketing quota which would be assigned to this company under the sugar bill are likely to drive it out of business.

For the farmers in the area, sugarbeets are their major cash crop, and National provides the only feasible market. For the town of Sugar City, National is practically its sole source of income.

National is requesting consideration of an upward adjustment of the marketing quotas of single-plant processing companies and re-

lated acreage allotments so that they can produce at an economic level. The adjustment is infinitesimal compared to the total American market—less than 1 percent. Further, this increased quota would not have to come from the American market, but could be derived from the global quota or the unused portion of the Puerto Rican quota without noticeable impact.

Colorado is a traditional sugarbeet area and the loss of this industry would cause severe economic dislocation. National is an old company having been in production since 1900, and is the exclusive market for the sugarbeet producers in this area.

I believe that this situation merits the particular attention of the members of this committee and want to express my appreciation for your attention to Mr. Kelly's statement and my own.

Before introducing Mr. Kelly to you I would like to refer to pages 3 and 4 of the statement given by my very good friend, Mr. Kemp, yesterday. I am sorry that I was not here to hear him testify, but at the bottom of page 3 and the top of page 4, he alludes to some who do not agree with the proposal contained within the present bill.

He states on the bottom of page 3 that there is an appeal or two of self-serving processors. Well, I think that is absolutely correct. These two companies which would make this proposal to this committee are serving themselves and it is very proper, I think, for them to bring their interests directly to this committee.

On page 4 in further objection to the request made by the companies, Mr. Kemp states that their position is "unsupported by a controlling fact." I think it might be worthwhile for the committee to inquire into what is meant by "controlling fact."

He further states that the request is "irreconcilable with the approaches which were necessary for the effectuation of the overall endorsement." I, also, think that it would be worthwhile to inquire into the meaning of those words.

I am not personally a technical expert on the sugar market in this country and I readily admit that to the committee, but Mr. Kelly has been connected with National for many years and he is their counsel and if it pleases the chairman of the committee I would like now to turn the microphone over to Mr. John Fleming Kelly for his testimony.

The CHAIRMAN. We are very grateful to you, Congressman, for appearing here this morning. I notice that Mr. Kelly has a prepared statement. We have numerous witnesses—about a dozen—who have to be heard this morning. I suggest that the witness submit his statement for the record and speak extemporaneously or summarize his views. If we let everybody have all of the time that they would like, we would be here until Thanksgiving. We are trying to wrap up this package. Mr. Kelly, can you file your statement which is very full. I am sure that it is completely accurate. And then sum up the statement in just a few minutes?

MR. KELLY. I know that this, probably, would be what the members of the committee and the chairman would want.

The CHAIRMAN. I am willing to hear you and to remain here until it is necessary to do so.

MR. KELLY. You have a number of pressing problems.

The CHAIRMAN. I would be willing to sit here through the afternoon and the night, but we have to limit the witnesses, because we

have a very important bill on the floor right now that we will have to attend to this afternoon.

Mr. KELLY. I am prepared to summarize the statement.

The CHAIRMAN. You may proceed then. We want to compliment your Congressman here. He has done a good job in this session. And he is held in the highest esteem by all the Members of the House of Representatives.

STATEMENT OF JOHN FLEMING KELLY, THE NATIONAL SUGAR MANUFACTURING CO.

Mr. KELLY. Mr. Chairman and members of the committee, I will take that message back to Colorado. I appreciate Congressman Evans introducing me.

I am the general counsel of the National Sugar Manufacturing Co. at Sugar City, Colo. And I represent and appear here today on behalf not only of the National Sugar Co., but also, of its growers. We appreciate the opportunity to present our views to this committee.

As Mr. Evans said, National is the smallest beet sugar company in the United States. It produces less than one-third of 1 percent of the annual production of beet sugar in the United States. Perhaps, I think, you can understand that at any industry deliberation on matters including legislation our voice is rather small, if not completely inaudible. And we have a suggestion which we in all sincerity do wish to make to you. It is our suggestion that for a single plant processor an allotment up to 25,000 tons of sugar be provided each year, because this is the figure which we believe represents a level at which a plant can expect reasonably to operate efficiently.

We would not presume that this level or this marketing allotment be imposed and required to be granted by the Secretary if the company could not show that it could produce this much sugar. If they could not show that, then by proper hearing the Secretary could set such smaller amount up to 25,000 tons as the company could use.

Correspondingly, we would suggest that the growers for that company be provided with acreage allotments which in the aggregate would be expected to yield the raw product which, in turn, would yield the 25,000 short tons of sugar.

I think you might ask, why, after a period of relatively unrestricted production we find ourselves in the position of needing this legislative help. It arises this way: we are now in the third successive year of production during a drought season in Colorado. I know you have heard of our floods, but the moisture came too late to do any good for the 1965 crop. This will be the third year that we have been producing at a reduced level because of circumstances of nature beyond our control.

As a result, we will, probably, produce around 7,500 short tons of sugar this year.

Now with the industry suggestion which you heard yesterday, if this sort of a bill were to be enacted without the additional suggestions we make we could expect to be frozen, if you will, in the foreseeable future at a level of production of about this amount. At a level of 7,500 to 8,000 short tons of sugar, National cannot even recoup its costs much less earn any returns. If a company cannot recoup its costs it

cannot long stay in business. And if we cannot stay in business, not only are we going to be lost, we, a company that has been in the sugar business some 65 years, but more importantly from your position is the fact that our growers will be forced out of the sugar business.

Our growers live and grow beets in Kansas, western Kansas, and in southeastern Colorado. We, for various reasons, transportation, and capacity of other factories, represent substantially the only market for this cash crop of our growers. Thus, if we are forced out of business because of having to exist at an uneconomic level they will be forced out of the sugarbeet production. They will lose not only this cash crop but will have to hunt for another one and they will lose investments in machinery, in irrigation systems, wells, and so forth. And the impact upon the economy of our area of Colorado is something else that should be considered.

National Sugar is the second largest property taxpayer in our county in Colorado. It is the largest employer. Our payments to our beet-growers in the last 5 years have aggregated some \$5 million. Our factory payroll in this same period has aggregated about \$2 million.

To the Congress, these are rather insignificant sums, but when regarded as a stimulus from one private industry to the economy of the local area I think that they are quite significant. And these are in real danger of being quashed unless we can get some legislation protection.

I think that what we are asking for in addition to the allotments which we might be entitled to by virtue of our history that would benefit us and, probably, one other beet sugar processor, Buckeye Sugar—and a representative of Buckeye will appear here today.

In the aggregate, based on our history we would need about 23,000 tons other than what we would be entitled to by virtue of the industry recommendations and 23,000 tons, Mr. Chairman, and members of the committee, is really infinitesimal in terms of what you are talking about. It is less than one-tenth of 1 percent of the present beet basic quota. It could come from a number of sources. Before awarding foreign countries a fixed quota, a reserve could be established to protect our domestic industry. It could even come, perhaps, from the Puerto Rican deficit which has existed in each of the last 4 years, at least.

We do not ask, Mr. Chairman and members of the committee, for any special privilege for ourselves. We do not ask for a guaranteed position. We only ask for the opportunity to grow to the size so as to be able to survive. We ask for an opportunity to continue to be of substantial economic importance to our area of Colorado and Kansas.

We appreciate very much your consideration of our position.

(The prepared statement of Mr. John Fleming Kelly follows:)

STATEMENT OF JOHN FLEMING KELLY ON BEHALF OF THE NATIONAL SUGAR
MANUFACTURING CO.

Chairman Cooley and members of the committee, my name is John Fleming Kelly. I am an attorney in Denver, Colo., and serve as general counsel of the National Sugar Manufacturing Co. I appear here today on behalf of National and its growers.

The National Sugar Manufacturing Co. is located in Sugar City, Colo., where it has operated its sole processing plant since 1900. National is the smallest processor of sugarbeets in the United States. It provides the only accessible market for many growers of sugarbeets in eastern Colorado and western Kansas. National is the second largest property taxpayer in Crowley County,

Colo., and ranks first or second as the county's largest employer. Payments by National to beetgrowers for the past 5 years have aggregated about \$4,600,000, and in the same time National's factory payroll has aggregated about \$1,800,000. This vital support by private industry to the economy of south-eastern Colorado and western Kansas is in real danger of disappearing unless Congress comes to the aid with the legislation we suggest.

For the reasons which I will outline, National urges that any legislation enacted by this Congress concerning sugar incorporate provisions to insure the continued existence of the small, single-plant company upon whom many growers depend. Our specific recommendations of provisions for inclusion in sections 205(a) and 302(b)(3) are attached to this statement and are hereby made a part of it.

National is one of four remaining single-plant beet sugar processing companies in the country. The others are Buckeye Sugars, Inc., of Ottawa, Ohio, Monitor Sugar Division of Robert Gage Coal Co., and Union Sugar Division of Consolidated Foods. It is my understanding that a representative of Buckeye will also appear at these hearings, and that our positions are essentially the same.

While I appear before you to urge an amendment to the Sugar Act in addition to those amendments proposed in the bill before you, this appearance is in no way intended to be a general attack on the bill. As was true in 1962, this bill represents, in general, a plan approved by all five of the producing and refining groups in the United States, and, as I understand it, by the Department of Agriculture. To arrive at agreement among such diverse and competing interests is no small achievement, and National supports this agreement except in the particulars which I will outline.

The bill before you, so far as it affects the domestic beet industry, attempts in the main to protect old growers from dislocations and cutbacks resulting from expansion which was encouraged by the Department of Agriculture. National thinks that this is a proper goal of the Sugar Act, and simply disagrees with the industry and the Department of Agriculture on the method to be used to protect certain growers. The reason for this concern is rooted in the fact that we are now in a period where both acreage and marketings are restricted, and due to heavy inventories, we may remain in this condition for a number of years. Due to the fact that National, and possibly the other single-plant processors, are now operating at an uneconomically small scale, restriction to present levels of marketing and production may eventually force them to shut down operations entirely, leaving their growers without a market for their sugarbeets. Thus what National is requesting is not a special advantage for its growers or for itself. National simply wants the Sugar Act to contain provisions which will enable small processors and their growers to remain part of the domestic sugarbeet industry. The bill guarantees growers in many foreign countries the right to continue to participate in the American market, and I certainly feel that an equal right should be given to American farmers.

The danger that the present bill will not allow National to continue to serve as a market for its growers in eastern Colorado and western Kansas is quite real. For the 1965 crop year National anticipates production of approximately 7,500 short tons of sugar, raw value, from about 4,000 acres. Under the present marketing allotments, National will be permitted to market about 8,000 short tons in 1965, out of a total current quota for domestic sugarbeet processors of 2,650,000 short tons. This amounts to slightly less than one-third of 1 percent of the total allotment. Part of the reason for National's tiny share of the market is due to the fact that its growers are in an area which has been affected by severe drought conditions for the past several years. Even this year the rains came too late to aid germination or prevent winds from blowing away newly planted crops. While growers in others parts of the country were rapidly expanding their acreage and improving their "history," National's growers were in many cases forced drastically to reduce their acreage due to lack of water. For example, in Crowley County, Colo., National could normally expect its growers to harvest at least 2,000 acres of beets, while in the 1964 campaign only about 200 acres were harvested there. The Sugar Act has protected the past history of many of National's growers by permitting the growers to receive credit for "prevented" acreage due to drought, but this has not fully allowed such growers to participate in the growth of the market. Thus, while other processors have improved their marketing history, National has lost ground dur-

ing these years. Under the bill before you, there would be no opportunity for National to regain that ground, at least as long as acreage and marketing restrictions are in force.¹

The result of this is that National's plant is presently producing at a level far below that generally considered as efficient in the industry. At the 1962 hearings before this committee it was continually emphasized by all parties that a 50,000 short ton allocation was necessary to encourage investment in a new plant. Mr. Kemp, in presenting the industry's views at that hearing, said:

"* * * 50,000 tons is 1 million bags of sugar of 100 pounds each. Now 1 million bags of sugar is more than the average productivity of the American beet sugar factory at present. The average of the factories of my company is not as high as 1 million bags. This higher quantity was thought necessary because under the extremely high cost of construction today a plant has to be big enough, has to be automated enough, to justify its cost."²

And the report of this committee on that bill agreed that 50,000 tons was the amount necessary for a new plant, as it stated:

"The reasonableness of this figure is confirmed by three facts: (1) The average production of the 61 beet sugar plants in operation in 1961 in the United States was less than 800,000 hundred-pound bags of sugar. (2) A study by an independent, reputable engineering firm recently recommended to interested producers in one of the important sugarbeet-producing areas the economic feasibility of a factory with a capacity slightly under 1 million bags. (3) Even in areas where conditions might suggest the feasibility of a plant having a larger capacity, it is generally recognized that a 1-million-bag output would be adequate to underwrite successfully the initiation of such a plant."³

To illustrate the growth of the market in just these few years, it is worth noting that in 1964 over 61 million bags of beet sugar were processed by 64 beet sugar factories, for an average of 960,000 bags, compared to less than 800,000 just 3 years earlier. Some members of the industry have indicated that a 50,000-ton annual production is not enough for a new plant. National is unable to comment on the cost problems of such a plant. I do know, however, that our own cost studies, carried out by an independent engineering firm, clearly show that our present level of production is uneconomical. Our present estimate is that National must process at least 12,000 short tons of sugar to break even, and that a substantially larger amount would be necessary to earn a fair rate of return on investment. This minimum figure was confirmed by the request of the Holly Sugar Corp., at Department of Agriculture hearings in September of 1962 for acreage sufficient to expand its Delta, Colo., plant to a production of about 28,000 tons to "* * * insure a basis for an economically feasible operation."

¹ National, with its present plant capacity, is capable of processing far more sugarbeets than it is now allowed to contract for and market. In the 1964 crop year National processed 146,706 hundredweight of sugar in a campaign lasting 62 days. In contrast, in 1962 National processed 280,280 hundredweight, or nearly twice as much sugar, by extending its campaign to 103 days. In both years the tons of beets sliced per day were about the same; 103 days does not represent an unrealistic length of time to operate such a plant in Colorado. The factory nearest National's plant operated for 142 days in 1962 and for about 120 days in 1964. At present plant capacity, in a 140-day campaign National could process 384,000 hundredweight. Furthermore, engineering studies indicate that for \$1 million National can effectively modernize its plant and increase its daily slicing capacity from its present 1,100 tons to 1,600 tons per day, which would permit further production increases and cost reductions. National's production for the past 10 calendar years is as follows:

	Bags (hundredweight)	Short tons raw value
1955.....	55,147	2,952
1956.....	75,555	4,045
1957.....	126,400	6,767
1958.....	173,120	9,268
1959.....	201,120	10,767
1960.....	270,670	14,490
1961.....	173,040	9,263
1962.....	280,280	15,004
1963.....	132,130	7,073
1964.....	146,706	7,854

² Hearings before the Committee on Agriculture of the House of Representatives on H.R. 11730, 87th Cong., 2d sess., ser. 2, at p. 31.

³ H. Rept. No. 1829, 87th Cong., 2d sess., at p. 4.

Thus nothing can be more obvious than the fact that National cannot continue to operate at its present level of production, which is the level it would be tied to for the foreseeable future under the proposed bill. It may well be that Buckeye Sugar cannot continue to operate at the level contemplated by this bill. And as costs continue to increase, it is certain that if either or both of these small businesses are to remain in existence, they must be allowed to produce a tonnage above the present bare break-even point. National urges amendments to this bill which would enable single-plant independent beet processing companies to contract for, process, and market as much as 25,000 tons of sugar annually, and which would allow growers for these companies to grow the amount of sugarbeets necessary to produce this result, assuming that such a company can contract for beets and process that much sugar. We are in agreement with Buckeye that 25,000 tons is a reasonable figure which should allow a single-plant company, operated efficiently, to make a fair return on its investment during the coming years.

In view of the fact that National only expects to produce about 7,500 tons of sugar in 1965, you may wonder why we are requesting permission to process up to 25,000 tons. Please bear in mind that under the amendment we suggest the Secretary could reduce this allotment if a company were unable to contract for, process, and market as much as 25,000 short tons of sugar. I will be the first to admit that National would not be able to utilize all of a 25,000-ton allotment next year. It can, however, increase production considerably merely by extending its campaign, which has been one of the shortest in the industry in recent years. Its campaign could be nearly doubled in length if it could contract for additional sugarbeet acreage, and thus double 1964 production. Fifteen thousand tons production is quite feasible with present plant capacity. Nor is such a crop beyond the realm of probability. The moisture of this summer, while too late to increase the size of 1965 acreage, has restored growers' confidence in the Arkansas Valley area, and assures a supply of irrigation water for next year. The Frying Pan-Arkansas project will help to stabilize moisture conditions.

Furthermore, with its present marketing allotment, it is very difficult for National to secure permanent financing. Additional capital would allow National to continue plant modernization and reduce costs to a level near the industry average. Such capital will only become available when an opportunity to produce and market a larger amount of sugar is afforded National.

While I am obviously concerned over the survival of National from a personal point of view, the committee should be concerned with its survival for other reasons. Perhaps the most important of these reasons is that National's growers would be unable to find another market for their sugarbeets, and would be forced out of production, their production history notwithstanding.

Most of the sugarbeets which National processes are beets which would not and could not be processed by any other factory. Beets grown for National in Kansas and Colorado are grown on property convenient to the Missouri Pacific Railroad right-of-way, and thus, from the standpoint of freight costs, can be shipped only to National's factory at Sugar City. Shipment to Rocky Ford would require shipment to Pueblo on the Missouri Pacific and a backhaul on the Santa Fe, adding approximately 100 miles to the shipping distance, the cost of which would have to be absorbed by the growers. While Great Western Sugar Co. contracts for some beets in Kansas, it is similarly interested in only those beets grown in locations convenient to its receiving stations on the Union Pacific, and it is very unlikely that it would contract for any substantial part of the beets now grown for National. Thus, if National is forced to close because of inability to operate at an economic level, its growers in Kansas and Colorado will lose their only practical market for their sugarbeets. In being forced out of the business they will lose their investment in expensive beet machinery. For these farmers sugarbeets represent the only practical cash crop, and without it few of them will be able to justify the substantial investments they have made in developing wells for crop irrigation.

Another important reason for taking the necessary measures to allow National and Buckeye to remain in the beet sugar industry is the present competitive posture of this industry. The sugar refining industry has been the subject of a number of antitrust suits which indicate that the past performance of this industry has not always satisfied the competitive standards of the antitrust laws. Part of these troubles stem from the high degree of market control possessed by a few giant companies. In 1964 the four largest beet sugar processors proc-

essed two-thirds of the domestic beet sugar crop; the six largest companies processed over 88 percent of the crop. Last year there were only a dozen companies in the beet sugar processing business; with the introduction of Empire Sugar Co., a subsidiary of Pepsi-Cola, in New York State, and a new company in Maine as a result of the expansion reserve provisions of the 1962 amendments, there will be 14 companies. The other allocations for new factories made by the Secretary under those provisions did not improve the competitive picture, since they went to three of the largest companies; Holly, American Crystal, and Spreckles. Thus the Secretary's administration of the expansion reserve provisions of the 1962 amendments did little to decrease concentration. In fact, by adding new plants and protected allotments to the empires of the industry's giants, the trend toward increased size and concentration was accentuated. This disparity in size and economic power has caused the shutdown of 24 beet sugar companies in the last 15 years. That trend seems destined to continue, with all beet sugar processing eventually in the hands of a few multifactory companies, unless Congress acts to stem the tide. In order to preserve some competitive vitality in this industry, the Sugar Act must not tie the hands of small competitors so that survival is impossible. To pass the present bill without amendment would do just that, and National feels certain that this committee, once made aware of the problem, will never allow such a situation to arise.

We realize that, regardless of the committee's natural sympathy for the plight of the small processor and its growers, it is still a difficult matter to reallocate production and marketing allotments to achieve this end. As a cash crop, sugarbeets are in great demand throughout the United States. We have no desire to see any other grower suffer in order to aid our own growers. Actually, a very modest amount of sugar would be needed to grant the protection we ask. For Buckeye Sugar, the lowest quota that its management can anticipate under this bill is about 18,000 tons, which means that only 7,000 additional tons would be needed to allow it the protection we suggest. For National, with a 1965 allotment by virtue of the bill of roughly 9,000 short tons, another 16,000 short tons might eventually be necessary. Together Buckeye and National might require 23,000 short tons under our proposal. This is less than 1 percent of the present basic beet marketing quota.

It is our understanding that the proposed legislation now before you would eliminate the so-called global quota and allocate our sugar purchases to specific countries. National fully supports the industry's position on this question, as we recognize that it will give our friends abroad a more stable market. But National does feel that equal protection should be given to domestic growers who are in danger of eventually being forced out of the sugar business. At a time when readjustments are being made in our purchasing patterns abroad we suggest that an adjustment be made to protect domestic sugar producers as well. When this global quota, to which no country had a vested right, is reallocated, it will gradually vest in these countries. Before all of that quota is allocated and becomes at least partially vested in foreign growers, we suggest that Congress should reserve some small part of it to protect American growers in the manner I have suggested. A reserve of sufficient tonnage to allow two small American sugarbeet processors to remain in the industry, made at this time, will not deprive any of our friends abroad of any share of our market to which they now have any statutory right, or to which they feel entitled.

Another possible source of tonnage necessary to protect our domestic sugar beet growers is in quotas which have consistently not been fulfilled. Under section 202(a) of the act as it now stands, Puerto Rico has an allotment of 1,140,000 short tons. The bill before you proposes to leave this allotment alone. In 1962 representatives of the Puerto Rican Farm Bureau came before this committee and requested an allotment of 1,200,000 short tons, saying 1,140,000 was too little. They pointed to a hurricane in 1956 and disastrous weather in 1957 and 1958 as reasons why some growers had become discouraged and had abandoned sugar cane. But they assured this committee that Puerto Rico would be able to supply us with 1,200,000 tons in the future. But the record shows that Puerto Rico has not been able to produce the sugar its representative claimed it could. In 1962, it shipped us 756,814 short tons; in 1963, 875,511 short tons; and in 1964, only 793,196 short tons. In view of this record, it is hard to believe that Puerto Rico would be injured by a reduction in its quota to protect domestic beet growers. It seems far better to use part of this deficit to protect domestic growers than to allow foreign nations to ship us addi-

tional sugar each year. If this deficit were merely an occasional thing, unpredictable in character, it might be wise to allow foreign suppliers to fill the gap; but where it is as regular and predictable as this one, there is no reason to give foreign suppliers what amounts to a regular share in addition to their statutory quota. Since this deficit comes from the domestic portion of the quota, it seems only fair that it should be reallocated to domestic growers, and be reallocated where it can do the most good; in this case saving some domestic growers from being forced out of the market.

In closing, I would like to emphasize that I make this request not only on behalf of National, but on behalf of its growers. Should national eventually be forced to shut its doors because it is not allowed to operate at a level of production which is efficient and which will enable National to earn a fair return on its investment, National's shareholders will not be the only persons injured. Hundreds of small farmers who have invested heavily in beet equipment, and in wells to irrigate their farms, will be without a market for sugar beets, which represents the only cash crop grown in this area which is not already in surplus. The heavy investment made by these growers in developing irrigation water cannot be justified unless they can grow a crop such as sugar beets. Moreover, the economy of an entire area of the Nation will be seriously and adversely affected.

To be sure, growers will technically retain their acreage allotments even after their sugar processor has disappeared. It was essentially on this ground that the Department of Agriculture rejected our legislative proposal. But what good is an allotment when there is no market for the beets? The Department's stand, that our proposal would give preferential treatment to National's growers, fails to recognize that an acreage allotment is meaningless unless the grower can also market his beets. The Department's stand would actually discriminate against National's growers, by depriving them of a market for their beets and forcing them out of the beet sugar business.

National is a very small company in a huge industry. The same is true of Buckeye. The growers for these companies are also just a small number among the thousands of growers for giant processing companies. Just as National and Buckeye have only a negligible voice in industry deliberations, so do their growers in the deliberations of their organizations. These voices have been ignored by the processors and the growers in their negotiations, and in their efforts to present a united front at these hearings. National cannot remain quiet when this unanimity threatens to destroy its opportunity, and that of its growers, to remain in this market.

On behalf of a small factory and its growers, may I urge your favorable consideration.

APPENDIX

NATIONAL'S PROPOSED AMENDMENTS TO THE SUGAR ACT

(1) Section 205(a) of such act is amended by adding the following: "The Secretary is also authorized and directed in making such allotments of the quotas for the mainland cane and beet sugar areas, to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any sugar cane processing mill or factory or any sugar beet processing plant, where the company owning such mill, factory, or plant is not owned by or affiliated with any other sugar processing company. It is hereby found that 25,000 short tons, raw value, is the allotment necessary for reasonably efficient operation of a sugar beet processing plant. If the Secretary, on the basis of the information available to him, determines that there is a reasonable possibility that such a company will be unable to contract for, process and market such allotment, he may, after notice and hearing, reduce such allotment to the amount such a company can contract for, process and market."

(2) Section 302(b) (3) of such act is amended by adding the following: "In establishing proportionate shares for farms delivering sugar cane or sugar beets to a company whose annual allotment under section 205(a) has been augmented to establish an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation, the Secretary is authorized to allot sufficient total acreage to enable such company to process an amount of sugar equal to its augmented allotment. Where farms presently contracting with

such companies do not apply for all of the acreage thus allotted, the Secretary is authorized to distribute such remaining acreage to new and small producers, by regulations distributing such acreage on a fair and reasonable basis. If proportionate shares are in effect in the two years immediately following the year for such augmented acreage is distributed, the acreage allotment established for such farms in each of such two years shall not be less than the augmented allotment for that year, and may be further increased in subsequent years when such an increase is necessary to enable such company to process an amount of sugar equal to its augmented allotment for that year."

The CHAIRMAN. Thank you very much for your statement. I have just one question: Was your company left out of these negotiations in which they reached an agreement of all of the segments of the domestic industry?

Mr. KELLY. I do not want to give the impression that we were left out. We were invited to participate and we were there at the beginning sessions. We stated our view in general, the same view I have expressed this morning.

The CHAIRMAN. How about the representative of Buckeye?

Mr. KELLY. I believe they were there, too, sir. But our views were not accepted. We feel that as respects our proposals, we have to make them for the benefit not only of ourselves but of our growers and our communities.

The CHAIRMAN. In other words, Mr. Kemp was not speaking for you nor was he speaking for Buckeye?

Mr. KELLY. No, sir. The names of our companies do not appear on the list of companies attached to the statement.

The CHAIRMAN. Thank you very much. I now recognize Mr. Latta.

Mr. LATTI. Thank you, Mr. Chairman, I am pleased to present as the next witness the manager of the Buckeye Sugars, Inc., Ottawa, Ohio. Buckeye Sugars, Inc., like National, is an independent company. I am pleased to present Mr. Yuenger.

The CHAIRMAN. We are very glad to have you with us this morning. We will be glad to hear from you.

STATEMENT OF JAMES A. YUENGER, PRESIDENT AND GENERAL MANAGER OF BUCKEYE SUGARS, INC.

Mr. YUENGER. Chairman Cooley and members of the committee, my name is James A. Yuenger, I am president and general manager of Buckeye Sugars, Inc. I am appearing here today on behalf of Buckeye and on behalf of its growers.

I thank the chairman for this opportunity to appear before the committee and also wish to express my appreciation for the leadership the chairman has provided over the years with regard to sugar legislation. The ability of a tiny company, such as ours, to state its case in these hearings proves the chairman's and the committee's desire to write a sugar bill that will be eminently fair to the small producer as well as the large.

Buckeye Sugars, Inc., is located in Ottawa, Ohio, and has been in operation since 1912 and makes an important contribution to the agrobusiness economy of northwest Ohio, a contribution which is in danger of disappearing if proposed sugar legislation is enacted without providing safeguards for a single-plant operation.

In reliance on the Secretary's determination of no restrictions in 1961-63; his request in 1963 to expand; and his commitment in 1964 of 2,415 acres to Buckeye—80 percent of our request—from the national acreage reserve for expansion purposes, Buckeye has expanded its plant and facilities. Our request for 3,000 acres from the national acreage reserve in December of 1963 and our expansion program as a result of the commitment of 2,415 acres was based on our strong conviction that in order to survive in the industry we must provide what we consider a minimum economic unit, one having a production of 25,000 tons of sugar. This production was within reach in 1964 and was prevented only by exceptionally bad weather.

The 1965 crop now growing, according to our best present estimates and with an average sugar content for our area, will produce approximately 25,000 tons of sugar. Therefore our request for a marketing quota of up to 25,000 tons is not unrealistic, and was not considered unrealistic when the Secretary allotted 2,415 acres from the national acreage reserve to Buckeye. It should not be a serious obstacle in the proposed legislation.

The modesty of Buckeye's request is demonstrated by the fact that it represents at the most about one-half of an ordinary 12,000-ton bulk shipment of raw sugar or about one-third of a 25,000-ton special bulk carrier of sugar coming to our country from abroad. In 1963 Buckeye marketed 21,392 tons of sugar or eighty-two one-hundredths of 1 percent of our total beet sugar marketings. Our requested amendments would allow us to market up to eighty-three one-hundredths of 1 percent of these marketings in 1965.

Buckeye asks for an acreage allotment of only about 13,000 acres. This compares with 13,318 planted in 1964 and its allotted 12,624 acres in 1965 (after sharing with the industry in a 10-percent reduction in "established acreage").

The changes we proposed in the bill affect not only the company but our employees as well. Our union people, recognizing in great fairness the problems of our small operation in a highly competitive industry, agreed this spring to base increases in their wages on the volume of sugar production in our plant. The marketing quota we would receive under the proposed legislation would effectively deny our workers any hope of realizing better wages under our agreement.

The Sugar Act and the proposed legislation are the result of compromises among the larger sugar interests. Buckeye has had only a very small voice in these deliberations. Its suggested modification, if granted, will have a very insignificant effect on any segment of the sugar industry or on other sugar companies.

As is the case with National Sugar Manufacturing Co. as their position was presented by Mr. Kelley, the amendments proposed are in no way intended to be a general attack on the proposed legislation agreed to by the domestic industry, as this position was so ably presented by Mr. Frank Kemp. We agree with the industry proposal with the exception that we feel strongly that consideration must be given to protect the "Davids" among the "Goliaths." We suggest that there are several ways in which this can be accomplished.

1. Before reallocating any domestic deficits to foreign countries, the Secretary provide for a quota of up to 25,000 tons of sugar to an existing independent, single-plant beet sugar company, with corresponding acreage allotment.

2. Before authorizing the import of any foreign beet sugar (raw or refined) or any foreign refined cane sugar, the Secretary may provide for a quota of up to 25,000 tons to an existing independent single-plant beet sugar company, with corresponding acreage allotment.

3. The quota of a company which has received a commitment from the national acreage reserve shall not be less than 25,000 tons with corresponding acreage allotment.

In conclusion, we respectfully urge the committee to give these small processors the very modest measures of protection we have requested so that they can continue to provide an economic contribution to their areas, as well as a contribution toward preserving a healthy, competitive domestic industry.

The CHAIRMAN. Thank you very much, Mr. Yuenger.

Mr. Poage?

Mr. POAGE. I wonder if you would tell us from what areas we are now importing the sugar.

Mr. YUENGER. We now have, I believe, under the present act the ability to import refined beet sugar from Ireland, and, I believe, the proposal for legislation indicates that we would be able to import refined beet sugar from Ireland, from Panama, and one other country—I am sorry I do not remember it.

The CHAIRMAN. Belgium?

Mr. YUENGER. Belgium, I believe, yes.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. Just one question, Mr. Chairman. On the basis of a Department comment, did your company make any expenditures for expansion?

That is, because of the plea of the Secretary?

Mr. YUENGER. We testified in the hearings of 1963—in December—that we had embarked upon an improvement program—an expansion program which would bring us what we felt was an economic unit of 25,000 tons. It was on that basis that we asked for 3,000 acres out of the national acreages of 1963.

Our company in the last 4 years, and it is continuing to do so, has spent over \$1,500,000 in expansion and modernization of our plant.

Mr. LATTA. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Vigorito.

Mr. VIGORITO. What is the size of your company in relation to the others in the industry?

Mr. YUENGER. We produce and sell less than eight-tenths of 1 percent of the beet sugar in the United States alone. And this figure becomes infinitesimally smaller when we take the entire sugar consumption. We are one of the two smallest beet sugar companies in existence in the United States.

Mr. VIGORITO. Thank you.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. As I understand it, you growers are receiving only the same cut as all other old growers.

Mr. YUENGER. That is right.

Mr. HAGEN of California. If that is the case, why does your single plant status justify special treatment?

Mr. YUENGER. If the growers cut back, Mr. Hagen, of course the plant receives less to operate with. There is a certain minimum op-

erating capacity for a plant—a certain minimum at which the plant can remain in existence.

Mr. HAGEN of California. That would be true, too, if it was a group of more than one plant; is that not correct?

Mr. YUENGER. This is very true—this would be true. However, the multiplant companies do have the opportunity of transferring their production in a poor year, let us say, to other plants and absorbing it into other plants. They can, also, stand to a much greater extent the vagaries of fortune than a single year plant can. We have no place to turn to except to our own resources.

I would say that we have had the urge to go out and take our single unit plant in the latter years, to borrow the money to expand the plant and to try to make a viable industry, so that we could serve our area, and our industry is very important in our conduct in our area to our growers and to the industry in general.

The CHAIRMAN. You have been reduced to 18,000 tons?

Mr. YUENGER. We have never produced over 18,000 tons. However, the crop that is in the ground now—and using only averages of the past years—will produce a crop of 25,000 tons this year. This is under our acreage allotments this year.

Mr. HAGEN of California. Is that finished or raw sugar?

Mr. YUENGER. Raw sugar.

The CHAIRMAN. And as to national—

Mr. YUENGER. I believe there have been times in the past when they have produced not over 9,000—I am not too familiar with them.

The CHAIRMAN. In other words, you are asking for an increase?

Mr. YUENGER. Pardon?

The CHAIRMAN. You are really asking for an increase over the maximum?

Mr. YUENGER. We are asking for an increase over the maximum we ever produced, but we are asking to be held at a level which we believe is an economic level and a level on the basis of which the Secretary in 1963 allocated acreage out of the acreages reserved to our plan.

The CHAIRMAN. What would you get out of the administration's bill which has been introduced?

Mr. YUENGER. We would get, approximately, 18,000 tons of sugar.

The CHAIRMAN. That is the maximum that you have produced?

Mr. YUENGER. This is the maximum we have produced up to this point.

The CHAIRMAN. Thank you very much.

Mr. HAGEN of California. I have one more question.

If I am not mistaken, new plants receive in effect 18,000-ton allotments.

Mr. YUENGER. A new plant, you mean.

Mr. HAGEN of California. A new plant.

Mr. YUENGER. On the basis of the figures that have been used as to an efficient basis for a new plant today, it has been established that it would be 50,000 tons of raw sugar value. Because if the new plant is over \$20 million and with less than 50,000 tons it is not an economic unit.

Mr. HAGEN of California. I probably was in error on that.

Mr. YUENGER. I think so.

Mr. LATTI. Mr. Yuenger, in recent years we did authorize the establishment of some new plants. Do you know what quota was given to these new plants?

Mr. YUENGER. I believe that it was based on 50,000 tons.

Mr. LATTI. That is my recollection. That is all.

The CHAIRMAN. Mr. Matsunaga.

Mr. MATSUNAGA. Mr. Yuenger, at a maximum of 18,000 tons, has the company been operating at a profit?

Mr. YUENGER. The company at this point has been operating at a very modest profit on the level of 18,000 tons. However, it must be remembered that as in all other industries costs have risen tremendously. In the bill that is now before your committee we would be frozen at this 18,000-ton figures for the next 5 or 6 years.

Mr. MATSUNAGA. What was last year's production?

Mr. YUENGER. Last year's production was, roughly, 18,000 tons raw value.

Mr. MATSUNAGA. Was your last year's profit greater or less than the 1963 profit?

Mr. YUENGER. Our last year's profit was considerably less than the 1963 profit.

Mr. MATSUNAGA. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Yuenger.

We will now call on Mr. William L. Shea, of the Osceola Operating Corp., Belle Glade, Fla.

Will you file your prepared statement for the record and summarize it?

**STATEMENT OF WILLIAM L. SHEA, OSCEOLA OPERATING CORP.,
BELLE GLADE, FLA.**

Mr. SHEA. Mr. Chairman and members of the committee, I will do that. I will try to paraphrase it as I go along.

I greatly appreciate the opportunity to appear here today. That is, in a very much minor position.

We are a prospective new mainland cane sugar grower. Some years ago we purchased some 30,000 acres of land in Florida near Lake Okeechobee. It is very good sugarcane land.

The corporation and the stockholders invested a good deal of money, over \$7 million so far, based on the conditions at the time that they went into it, in 1962-64 when no restrictions were on the domestic production, and they were prepared to spend \$22 million to build a mill and a plantation growing about 18,000 to 20,000 acres of sugarcane with an annual production of about 40,000 tons. And during the season they would have more than 1,000 people employed. In other words, they made a substantial investment at the instigation of the Government at the time. Naturally, conditions changed and restrictions have been placed, and so we could not go forward. So our one point is that we invested money on which we expected a high return, on which we now have to raise farm vegetables, cattle, and so forth.

I know that is a sort of self-serving interest, that is expressed there, but then, on the other hand, we did not go into the venture blindly.

We are not asking for a quota this year or next year, but that the mainland cane industry be put in the same position as the feed industry in getting an acreage reserve some time in the future, and that these quotas be taken from others.

We strongly favor increasing the country's self-sufficiency in meeting its sugar needs; and, therefore, we are opposed to the reduction in the mainland sugar quota. We believe that we have demonstrated the success of the mainland farmers in increasing the production of both cane and beet sugar when called upon and that this offers the best possible evidence of this position, and as stated in the preamble of the Sugar Act "to protect the welfare of the consumers of sugar and of those engaged in the domestic sugar-producing industry."

We strongly urge that the cane sugar industry of which we are a member be given continued opportunity for orderly growth; and, therefore, we are opposed to a reduction in the production of cane sugar. And we offer the response of the Florida and Louisiana cane-growers in lean years to back that up.

Implicit with the above affirmation we believe that both the laws and the regulations should provide the mainland cane industry with adequate return, with managed capital and means for orderly expansion.

I have not had a real opportunity to go over the new act completely, but there is no provision whatsoever there for new cane-sugar growers, but with this act going until 1971 there is absolutely no way for new mainland canegrowers to get into the picture outside of the 10,400,000-ton figure.

The CHAIRMAN. In other words, you are willing to wait for a reasonable time?

Mr. SHEA. That is right.

The CHAIRMAN. But you do not want to wait until 1971?

Mr. SHEA. That is right, Mr. Chairman. I will try and conclude here as soon as I can.

The CHAIRMAN. Have you any suggestions to offer us? I am not inclined to cut you off, but do you have any suggestion as to how this committee might insert such a provision into the bill which would take care of a situation like you have mentioned?

Mr. SHEA. Well, there are four or five prospective new growers in Florida and several in California, Mr. Chairman.

The CHAIRMAN. You do not want to be shut off completely.

Mr. SHEA. That is right. If there was a provision in there that the Secretary of Agriculture could set aside so much land per year, that would help. If I may read that part here.

The CHAIRMAN. On what page is that?

Mr. SHEA. On page 7. We maintain that the only sound and sensible way for the Secretary of Agriculture to truly protect the interests of the new and small producers of cane sugar is to build an economic unit of sufficient strength so that independently each can withstand the pulls and drags of the volatile sugar market. Such a unit can be organized by the Secretary allotting each unit to new and small cane sugar producers, sufficient acreage to produce 25,000 short tons raw value of sugar. This new cane production allotment if distributed to one area would make the construction of a new mill every 2 years to mill cane grown on such additional acreage an economically sound investment. This is put in there because at one time the Department

tried to figure out whether 25 acres set aside was sufficient, and no one came into the picture on that basis.

Since the new cane production allotment would be insufficient to warrant construction of a new mill facility in one area the first or third years, and subsequent allotments for such years could be either temporarily allotted by the Secretary to existing growers or withheld by him from production, depending upon his estimate of consumption requirements.

This new cane production allotment recommended above would not be taken away from the existing producers. There are two other sources which could provide ample acreage to set aside this allotment. In the first place, a number of producers regularly fail to meet their quota requirements. Rather than allocating these so-called deficiencies to existing producers which only results in furthering the monopoly already in existence, we urge that such deficiencies be allotted on a permanent basis to the new cane production allotments.

Secondly, it has been estimated that domestic consumption increases at the rate of 150,000 tons a year, and even if this figure is an exaggeration the increase in domestic consumption is high enough to allot 25,000 tons annually to new cane producers, taking into consideration the relative divisions between the foreign and domestic producers, and between the beet and cane producers.

A new cane production allotment such as described above would have the effect of helping to offset the discrimination which now exists in favor of old and new beet sugar and old sugarcane growers, to eliminate the monopoly now enjoyed by present sugarcane mills and to stabilize the sugar market and sugar prices by providing a source for increasing the domestic production.

And in conclusion, we feel that our recommendations would result in a reasonable consumer price, reasonable selling prices for U.S. farmers, adequacy of an assured supply of domestically produced sugar, continuing harmony of the U.S. relations with sugar-producing foreign allies and conservation of the U.S. dollar balances.

Our position we do not think conflicts with or harms the existing domestic sugar refining, sugarbeet producing and sugarcane producing industries. As I said earlier, we are not asking that we be permitted to expand our cane production this year or next year, but that we be given a right to look forward to entering into and in participating in the cane sugar industry on an organized basis at some time in the near future. And we are perfectly willing to wait our turn. All we ask is that the Congress not permanently bar the door.

The CHAIRMAN. Thank you very much. Your statement will be made a part of the record.

(The prepared statement of William L. Shea follows:)

STATEMENT OF WILLIAM L. SHEA, IN BEHALF OF OSCEOLA OPERATING CORP., BELLE GLADE, FLA.

My name is William L. Shea. I am the Washington attorney for the Osceola Operating Corp., owner of the Big B Ranch located in Palm Beach County, Belle Glade, Fla.

Osceola owns 30,000 acres of land centered about 14 miles southeast of the village of Belle Glade. Approximately 1,400 of these acres are presently planted in sugarcane. This puts Osceola in the category of being a small producer in comparison with the large corporation and cooperative producers in the

Florida cane area. Our presence at these hearings is both as a small and new producer of sugarcane and also as one which seeks to become a much larger producer. Though we hope to become a competitor of those already producing cane, we have enough faith in sugarcane and its long-range future to believe that healthy competition will work to the advantage of the entire industry.

Our stockholders have made a substantial investment and a long-term commitment to produce sugarcane in Florida. Its 30,000 acres of land was acquired some years ago at a cost in excess of \$2 million but it was not until the spring of 1964 that we were able to complete preparation and development of sufficient land to permit us to plant 1,357 acres of seed cane. Until the Department of Agriculture, by release dated April 13, 1964, announced its intention to consider the need for establishing 1965 crop proportionate shares for farms in the mainland sugarcane areas of Florida and Louisiana, Osceola was prepared to invest an aggregate of over \$22 million. Osceola employed the services of sugar technicians, land development engineers, and agricultural and financial experts to prepare a comprehensive program for the development of the ranch as a large integrated sugarcane plantation and mill with a production capacity annually of about 45,000 tons of raw cane sugar. Under the supervision of a full-time staff, considerable improvements to the property have been made, all of which have required a further substantial capital investment. Perimeter water-control dikes and bridges have been built. Fourteen miles of main canals are almost completed, as well as 28 miles of road. The land plus the improvements represents a major capital investment of well over \$7 million. We have been deprived of the right to put land in which substantial amounts have been invested to its most profitable use.

The original planting of 1,357 acres of cane was intended to provide us with seed cane for the planting of an additional 16,000 acres in the fall of 1964 for harvesting in the 1965-66 season. Our engineering, construction, and financing arrangements were set last year. Osceola is ready to expand. In addition to providing employment for a number of workers and industries during the course of development of the property and construction of the mill, the planned mill and plantation was expected to employ over 100 persons permanently plus a harvest season payroll of up to 1,000 persons.

We did not go into this venture blindly. We invested the money because of the Government's urging that more sugar be produced in this country and its declaration that no acreage allotments were going to be placed through 1965. In May of 1963, when the Department of Agriculture rescinded 1963 crop proportionate shares and announced that the 1964 crop of sugarcane would not be restricted, world sugar stocks were very low and the world price of raw sugar was spiraling upward. Every conceivable green light was turned on that might entice more sugar into the American market.

The recommendation of the President of the United States that marketing restrictions on the sale of all domestically produced sugar be removed for 1964 was a part of his agricultural message to Congress transmitted on January 31, 1964. The pertinent portion of the President's message is as follows, and I quote:

"4. *Sugar*.—The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved foundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.

"However, the experience of the past year—and the fact that foreign sugar quotas expire at the end of 1964—highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.

"I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

"The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall—early in this session—make recommendations for remedial legislation."

Of course, we realize that conditions have changed and we are not criticizing the Department for the action it took.

On May 1, 1964, we submitted a summary statement of our position to the director of the sugar policy staff, Department of Agriculture, in response to the initial announcement that the Department was considering the need for establishment of sugarcane acreage allotments for the 1965 crop year. In short, we stated that the Department should refrain from taking any action at that time to estab-

lish acreage allotments for the 1965 crop of mainland sugarcane. We felt that any restrictive administrative action should await the then pending hearings for an entire revision of the Sugar Act to reflect major changes in domestic and world supply and demand relationships.

We strongly favor increasing this country's self-sufficiency in meeting its sugar needs, and, therefore, we are opposed to a reduction in the production of sugar in the U.S. mainland. We believe the demonstrated success of mainland farmers in increasing production of both cane and beet sugar when called upon offers the best possible evidence to this position. The response of the American farmers to the need for increasing mainland production has been in every way beneficial within the intentions of the Sugar Act as spelled out in its preamble:

"To protect the welfare of consumers of sugar and of those engaging in the domestic sugar producing industry."

We strongly urge that the cane sugar industry, of which we are a member, be given continued opportunity for orderly growth; and, therefore, we are opposed to a reduction of the production of cane sugar. We offer the response of the Florida and Louisiana canegrowers and cane producers over the last several years as the best evidence of their contribution to the major ends sought to be achieved under the Sugar Act.

Consistent with the above affirmations we believe that both the Federal laws and the administrative regulations augmenting those laws, should provide the mainland cane industry (1) with fair prices, (2) with adequate return on soundly invested and well-managed capital, and (3) with a means for orderly expansion.

As a new producer, we emphasize the need for the sugarcane industry to be provided with a sound mechanism for expansion which will offer opportunity both to those who are presently engaged in the industry, either long-established or of more recent vintage, and to those, such as ourselves, who give evidence of being competent to become new producers. It is in this regard that we have advanced the suggestion that new legislation provide for the creation of a tonnage or acreage reserve available to selected new cane sugar projects which would operate under formulas similar to those established under title 3, section 302(b) (3) of the Sugar Act of 1948, newly added to the act in the 87th Congress of 1962. A draft of a proposed amendment is attached as appendix A.

RECOMMENDED ACTION ON BEHALF OF NEW PRODUCERS

We maintain that the only sound and sensible way for the Secretary of Agriculture to truly "protect the interests" of the new and small producers of cane sugar is to build an economic unit of sufficient strength that independently it can withstand the pulls and drags of the volatile sugar market. Such a unit can be organized by the Secretary allotting each year to new and small cane sugar producers sufficient acreage to produce 25,000 short tons, raw value, of sugar.

This new cane production allotment, if distributed to one area, would make the construction of a new mill every 2 years for milling the cane grown on such additional acreage an economically sound investment. Since the new cane production allotment would be insufficient to warrant construction of a new mill facility in one area in the first, third, and subsequent odd years, the allotment for such years could be either temporarily allotted by the Secretary to existing growers, or withheld by him from production, depending on his estimates of consumption requirements.

The new cane production allotment recommended above would not be taken away from the existing producers; there are two other sources which should provide ample acreage to satisfy this allotment. In the first place every year a number of sugar-producing areas regularly fail to meet their quota requirements. Rather than allocating these so-called deficiencies to existing producers, which only results in furthering the monopoly already in existence, we urge that such regular and recurring deficiencies be allocated on a permanent basis to the new cane production allotment. Secondly, it has been estimated that domestic consumption increases at the rate of 150,000 tons a year. Even if this figure is an exaggeration, the increase in domestic consumption is high enough to award 25,000 tons annually to new cane producers, taking into consideration the relative divisions between the foreign and domestic producers and between the beet and cane growers.

A new cane production allotment such as described above would have the effect of helping to (1) offset the discrimination which now exists in favor of new and old sugarbeet growers and old sugarcane growers, (2) eliminate the monopoly now enjoyed by present sugarcane mills, and (3) stabilize the sugar market and sugar prices by providing a source for increasing domestic productions.

CONCLUSION

We feel our recommendations would result in reasonable consumer sugar prices, reasonable selling prices for U.S. farmers, adequacy of an assured supply of domestically produced sugar, continued harmony of U.S. relations with sugar producing foreign allies, and the conservation of U.S. gold and dollar balances. Our position does not conflict with or harm existing domestic sugar refining, sugarbeet producing, and sugarcane producing industries.

We are not urging that we be permitted to expand our cane production this year or next year, but we do urge that Osceola and all other new and small cane producers, be given the right to look forward to entry and participation or increased participation in the cane sugar industry on an organized basis at some time in the future. We are perfectly willing to wait our turn; all we ask is that the Congress not permanently bar the door.

I ask that the committee give us an opportunity to submit an additional statement after being given a reasonable time to review the testimony given by other witnesses at these hearings.

I thank you gentlemen for giving me the opportunity to express our views.

APPENDIX A

A BILL To amend the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 302(b) of the Sugar Act of 1948, as amended, is amended—

(1) by renumbering paragraphs (5), (6), and (7) as paragraphs (6), (7), and (8) respectively; and

(2) by striking out paragraph (4) and inserting in lieu thereof new paragraphs (4) and (5) as follows:

“(4) In establishing proportionate shares for farms in the domestic cane sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quotas and provide a normal carryover inventory (hereinafter referred to as the ‘national sugarcane acreage requirement’) on the basis of the acreage history of sugarcane production and the ability to produce sugarcane for extraction of sugar in each State. In order to make acreage available for the growth of the cane sugar industry, the Secretary shall reserve each year from the national sugarcane acreage requirement established by him, the acreage required to yield fifty thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized to farms in States without regard to any other allocations to States or areas determined by him and shall be withheld from such other allocations until it can be so utilized: *Provided, however*, That beginning with 1966 the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce fifty thousand short tons, raw value, of sugar. At the time the Secretary distributes the sugarcane acreage reserve for any year, which determination of distribution shall thereby be committed to be in effect for the year in which production of sugarcane is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarcane acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarcane processing facilities has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarcane acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings.

“In determining distribution of the sugarcane acreage reserve and whenever proposals are made to construct sugarcane processing facilities in two or more localities where sugarcane production is scheduled to commence in the same

year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarcane, the proximity of other sugarcane mills, need for a cash crop or a replacement crop, accessibility to sugar markets and the relative qualifications of localities under such criteria. If proportionate shares are in effect in the two years immediately following the year for which the sugarcane acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the acreage committed to such farms.

"(5) The allocation of the national sugarbeet or sugarcane acreage requirement to States, or of the national sugarcane acreage requirement to the mainland cane sugar area, for sugarbeet or sugarcane production, as well as the distribution of the sugarbeet or sugarcane acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing."

SEC. 2. The third sentence of section 205(a) of such Act is amended to read as follows:

"The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet or sugarcane processing plant or factory serving a locality having a substantial sugarbeet or sugarcane acreage for the first time, or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage or sugarcane for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded sugarbeet and sugarcane facilities during each of the first two years of its operations.

"Be it further enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That:

"(a) The quotas for domestic sugar-producing areas under section 202(a) (1) of the Sugar Act of 1948, as amended, are hereby increased for the calendar year 1965 by five hundred and fifty thousand short tons, raw value, for the calendar year 1966 by one million two hundred and fifty thousand short tons, raw value, and for the calendar year 1967 by one million five hundred and fifty thousand short tons, raw value.

"(b) The Secretary of Agriculture shall, within thirty days after the date of the enactment of this Act, apportion to the domestic beet sugar area and mainland canesugar area the increases in basis quotas provided by subsection (a) on the basis of the quotas for such areas specified in section 202(a) (1) of such Act.

"(c) The increases in quotas herein authorized shall be deducted from the quantity of sugar which may be authorized for purchase and importation from foreign countries under section 202(c) (A) of such Act."

SEC. 2. (a) The first sentence of paragraph (3) of section 302(b) of the Sugar Act of 1948 (and U.S.C. 1132(b) (3)) is amended (1) by inserting "except 1967" immediately after "each year" and (2) by inserting "and shall in 1967 so reserve the acreage required to yield three hundred and fifty thousand short tons, raw value, of sugar" immediately before the period at the end thereof.

Please note that the above article (3) would then read as follows:

"(3) In order to make available acreage for growth and expansion of the sugarbeet and sugarcane industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act shall reserve each year, except 1967 and shall in 1967 so reserve the acreage required to yield three hundred and fifty thousand short tons, raw value, of sugar."

The CHAIRMAN. Let me make one suggestion. I am not trying to encourage or to discourage you. Will you draft what you think the committee might use that you consider as being helpful, and give it to the clerk of the committee?

Mr. SHEA. I have drafted it, Mr. Chairman. It is Appendix A which is a part of my prepared statement. It is along the lines of the Sugar Act of 1962, as amended, with regard to the new sugarbeet provisions in that act.

The CHAIRMAN. All right.

Mr. SHEA. In fact, I will review that and submit another.

The CHAIRMAN. All right.

Mr. Hagen.

Mr. HAGEN of California. Who do you market your sugar to, or through?

Mr. SHEA. We had to sell 1,400 acres of sugarcane to the Talisman Mill in Florida. They bought our quota.

Mr. HAGEN of California. Is that a big operation?

Mr. SHEA. That is another small operator. I do not know the size of it. It is not too big. Ours was only 1,357 acres, to be exact.

Mr. HAGEN of California. As I understand it, a lot of southern cane processors market to American, one of the biggest sugar companies.

Mr. SHEA. There are some cooperatives down there that sell all of their production to the bigger sugar mills, but we hope to have a single integrated sugar plantation with a mill of 45,000 tons capacity annually.

Mr. HAGEN of California. Thank you. That is all.

The CHAIRMAN. Mr. Latta.

Mr. LATTI. Was your company in on these negotiations we have heard about?

Mr. SHEA. No; it was not.

Mr. LATTI. That agreed on this bill?

Mr. SHEA. No.

Mr. LATTI. Were you invited to attend?

Mr. SHEA. No; I know personally some of the members of the Washington offices representing some of the groups. I talked to them, but I was never invited to attend.

Mr. LATTI. Do you have any thinking on the number of years that this bill should be effective?

Mr. SHEA. I do not think that it should go beyond 3 years. I know that you want to get rid of the present sugar surplus in this country, but I do not think that we should continue to give all of our increased consumption and all of our deficiencies to any of the foreign countries without giving us a chance to, domestically, do something.

Mr. LATTI. It would be frozen for 5 years under this bill.

Mr. SHEA. Absolutely.

Mr. LATTI. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Shea.

Mr. SHEA. Thank you.

The CHAIRMAN. We will now call on John C. Lynn and Marvin McLain, of the American Farm Bureau Federation.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR; ACCOMPANIED BY MARVIN McLAIN, ASSISTANT LEGISLATIVE DIRECTOR; AND W. E. HAMILTON, DIRECTOR OF RESEARCH, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman and members of the committee, we will file our statement for the record and I will attempt to highlight it in order to save time.

We think it is very fortunate to be having these hearings during the interlude before the final vote on the farm bill this afternoon

or tonight, because you are about to pass, in spite of our encouragement otherwise, a bill costing somewhere between \$4 and \$8 billion in an effort to reduce surpluses.

We have an opportunity in sugar and the farmers have demonstrated during the 2 years that the allotments were not on that they will produce sugar, and that they can produce it profitably. We are here to recommend that this act not be extended for 5 years and freeze in place and, in fact, cause a reduction to have to be made in the acreage for the domestic sugarbeet and cane producers in the next 5 years.

If we do this for 5 years and we allocate these quotas of sugar to the foreign countries, we think that they will assume that they have a vested interest—as Cuba thought it had before Castro. We know how difficult it is to get the Department of State and other agencies of the Government to take away this so-called right to produce.

So, in effect, what we are doing if this proposal is passed is freezing the U.S. production of sugar in the place or, perhaps, causing it to have to be reduced while we allocate this deficit to foreign countries.

We have a simple recommendation, Mr. Chairman, that this so-called consensus that has been reached be increased to 1 million tons of sugar, and that the 65 percent of the growth which is now provided for new growers, be increased to 75 percent. We think this is only fair to the producers of sugar in the United States. I want to make it clear that we represent the producers and that is all that we attempt to speak for.

I think, Mr. Chairman, as you are about to try to vote later today to reduce production at a tremendous cost that you should take a real look at our recommendations with regard to sugar, because we are trying to increase our production. I think you are very aware of the fact that we are very much international trade, but if we approve this bill for 5 years and give these foreign countries these quotas, then we will have frozen the U.S. producer out of business.

That is our story in brief.

(The prepared statement of the American Farm Bureau Federation follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION PRESENTED BY JOHN C. LYNN, LEGISLATIVE DIRECTOR, AND MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR

We appreciate the opportunity to present our recommendations with respect to legislation to amend and extend the sugar act.

Farm Bureau's membership includes sugar producers in all domestic areas except the Virgin Islands.

Our basic policy on sugar is set forth in a resolution adopted by the elected voting delegates of our member State organizations at our last annual meeting as follows:

"We support the sugar act as a means of dealing with problems peculiar to the sugar industry and urge its administration on the basis of protecting the interests of domestic producers. The primary provisions of this act relate to the use of quotas to regulate the marketing of domestic and imported sugar.

"The production of sugar has increased dramatically in the mainland cane and beet areas in recent years as the result of legislation authorizing acreage allocations to new beet areas, a sharp rise in sugar prices, and the Secretary of Agriculture's suspension of acreage restrictions for the protection of consumers.

"The Government has a moral responsibility to permit the marketing of the overquota sugar that has been produced in response to Government actions and at the same time to avoid undue depression of sugar prices. Basic quotas should be adjusted to accommodate the expanded productive capacity of the

mainland cane and beet areas, and a larger share of the future growth in sugar consumption should be reserved for domestic producers."

The mainland cane and beet sectors of the sugar industry are in a serious surplus position as a result of governmental actions and inactions which have resulted in the expansion of production without a corresponding increase in marketing allocations.

Under legislation enacted in 1962, the Department of Agriculture made acreage allocations for new plants and the expansion of old plants which eventually will produce an estimated 325,000 tons of beet sugar annually.

Summary of allocations from the national sugarbeet acreage reserve

Location	Acres	Estimated production (short tons)	Effective with crop year	Cumulative estimate of sugar production from such allocations (short tons)
California (Fresno, Kings, Madera, and Tulare Counties).....	19,000	45,700	1963	45,700
Texas Panhandle area.....	22,230	50,000	1964	95,700
Curry County, N. Mex.....	2,500			
Idaho.....	8,140	18,020	1964	113,720
East-central Michigan.....	4,030	6,850	1964	120,570
Ohio.....	2,415	4,430	1964	125,000
Central New York (8 counties).....	29,500	50,000	1965	175,000
Northern Red River Valley of Minnesota and North Dakota.....	31,000	50,000	1965	225,000
Aroostook County, Maine.....	33,000	50,000	1966	275,000
Arizona.....	20,000	50,000	1966	325,000

In 1963 the Department of Agriculture was panicked by a sharp, but temporary, rise in world sugar prices. Fearful that it would be blamed for an increase in the prices paid by consumers, the Department suspended acreage restrictions on the 1963 mainland cane crop, announced that there would be no acreage restrictions on the 1964 cane crop, and also promised that beet acreage would not be restricted in 1964 or 1965.

The Department's desire to expand the capacity of the domestic sugar industry is well illustrated by the following quotation from a statement made by former Under Secretary Charles S. Murphy, before the Consumer Affairs Subcommittee of the House Banking and Currency Committee on June 5, 1963:

"All controls on domestic sugar production have been removed. There have been no governmental controls on production in Puerto Rico, Hawaii, or the Virgin Islands in recent years and there have been none in the domestic sugarbeet area since 1960. We have also announced that there will be no such controls in the domestic sugarbeet areas in 1964 and 1965. In the mainland sugarcane area, 1963 crop acreage was originally established at the level of 1962 acreage, which for Florida reflected a 100-percent increase over the 1961 acreage. Early in May, it was announced that the 1964 crop would be unrestricted and that the 1963 restrictions were removed.

"The only restrictions on domestic sugarbeet and mainland cane production, therefore, are those resulting from a limitation of processing capacity. *One of the major objectives of the Department in announcing that restrictions would not be imposed on sugarbeet production in 1964 and 1965 was to encourage the modernization and expansion of existing factories and the enlargement of factories now under construction.*" [Emphasis added.]

The suspension of controls in a period of rising prices stimulated an increase in sugar production that apparently took the Department's experts completely by surprise. In a 1964 speech before the California Beet Growers Association, Tom O. Murphy, Director of the ASCS sugar policy staff admitted that:

"The desire of farmers in the United States to grow sugarbeets is startling, even to those in the Department of Agriculture who felt that they were pretty well up on this sort of thing."

The extent to which sugar production has been increased in recent years in the mainland cane and beet areas is indicated by the following table:

Mainland U.S. production of sugarcane, sugarbeets and sugar

Crop of	Sugarcane for sugar			Sugarbeets		
	Acres harvested for sugar (thousand acres)	Production		Acres harvested (thousand acres)	Production	
		Cane (thousand tons)	Sugar (thousand tons raw value)		Beets (thousand tons)	Sugar (thousand tons, raw value)
1958	253	6,172	578	895	15,254	2,214
1959	296	6,844	615	897	16,757	2,303
1960	304	7,137	630	962	16,619	2,457
1961	333	9,154	858	1,091	17,927	2,431
1962	368	9,365	852	1,101	18,236	2,595
1963	435	13,000	1,183	1,248	23,400	3,086
1964	547	13,822	1,147	1,394	23,368	3,284
1965	¹ 498	¹ 14,010	-----	² 1,265	² 21,577	-----
Percentage increase:						
1958 to 1964	116.2	123.9	98.4	55.8	53.2	48.3
1960 to 1964	79.9	93.7	82.1	44.9	40.6	32.7

¹ August 1 indicated production and acreage for harvest for sugar and seed.

² August 1 indicated production and acreage for harvest.

Source: "Sugar Statistics and Related Data," Statistical Bulletin No. 244 and "Crop Production," June and August 1965.

The quotas available to the mainland cane and beet areas have not been increased to accommodate the increased production of sugar made possible by the suspension of acreage restrictions, and the commitment of future acreage allocations to new beet areas. On the contrary, as the following table shows, quotas have been reduced as production increased. This reflects the fact that unusual conditions made it necessary for the Secretary of Agriculture to set the 1963 estimate of domestic requirements at a level that was well above actual consumption, and also the fact that the initial quota announcements for both 1964 and 1965 contemplated further legislation.

Sugar quotas and production

	Estimate of total requirements	Mainland cane quota	Beet quota	Total mainland cane and beet
1963				
.....tons, raw value..	10,400,000	1,009,873	¹ 2,990,127	4,000,000
1964				
.....do.....	9,800,000	911,410	2,698,590	3,610,000
1965				
.....do.....	9,200,000	895,000	2,650,000	3,545,000
Production from 1964 crop		1,147,000	3,284,000	4,431,000
Excess of 1964 production over current quota		252,000	634,000	886,000
1964 production as a percentage of current quota		128.2	123.9	125

¹ The beet area was unable to market its full quota in 1963. The final 1963 beet quota after adjustment for deficits was 2,698,590 tons.

The inevitable result of increasing production and declining quotas has been a sharp increase in stocks.

*Stocks and sugar held by beet producers and mainland cane processors,
Jan. 1, 1963-65*

[Short tons, raw value]

As of Jan. 1—	Beet processors	Mainland cane processors
1963.....	1,368,426	11,938
1964.....	1,025,166	45,258
1965.....	1,696,231	151,323

Acreage restrictions were imposed on the 1965 crops in both the mainland cane and beet areas, despite earlier USDA promises that the 1965 beet crop would not be restricted.

Since the administration of the sugar program in recent years has encouraged an expansion of the acreage devoted to sugarcane and beets along with the construction of new processing capacity, we think that the Government has a moral obligation to bring the basic quotas for the mainland cane and beet areas into line with their enlarged productive capacity. This can be done without reducing existing allocations to foreign countries. The current estimate of domestic requirements (9.2 million tons) is 470,000 tons less than the actual 1964 distribution of sugar by primary distributors for continental consumption.

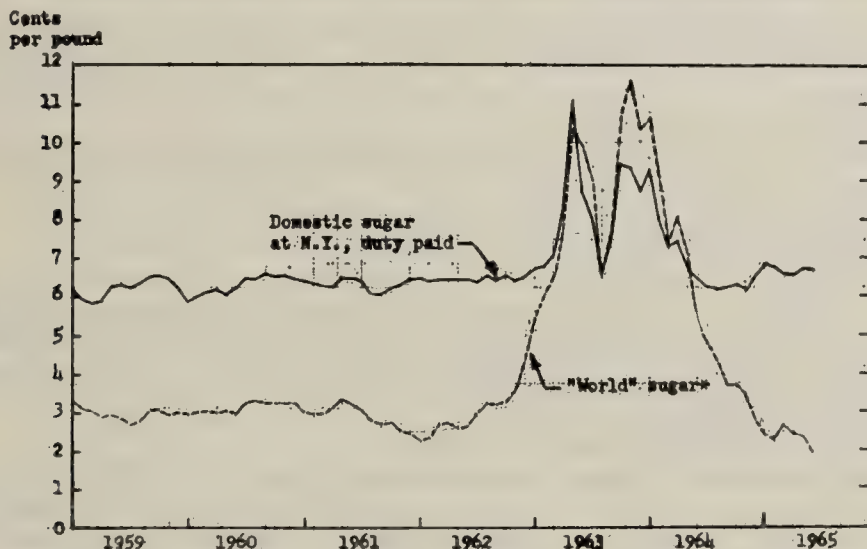
In the first 6 months of 1965 distribution by primary distributors for continental consumption was approximately 280,000 tons larger than in the corresponding period of 1964. Further, it should be recognized that foreign countries have no vested right to the full amount of their current allocations.

In order to solve the problem currently confronting domestic producers, we recommend that the first 1 million tons of any increase in the estimate of domestic requirements be allocated to the mainland cane and beet areas. Further quota increases will be needed in the future to accommodate the demand for new acreage and the uptrend in yields that is to be expected as farming practices are improved.

We cannot agree with those who say that any increases in basic quotas granted at this time should be repaid by suspending the growth formula for a period of years.

On the contrary, we believe that it would be wise to provide greater opportunity for the orderly development of domestic sugar production by increasing the portion of the growth in consumption that is reserved for domestic producers from 65 to 75 percent.

Chart 1. Spot Prices for Raw Cane Sugar, by Months, January 1959-June 1965

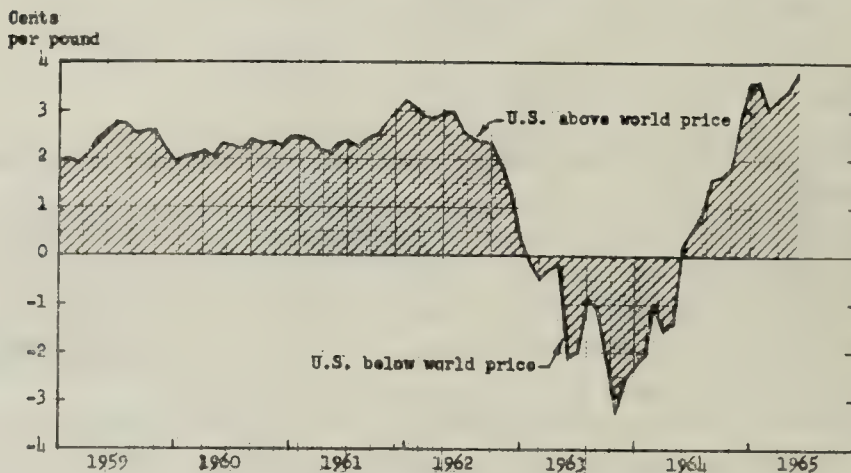


* Cuban basis, 1959-60; Caribbean basis, 1961-65.

The need to find new and better uses for our excess productive land should be obvious to anyone. More than \$3 billion of Federal funds will be expended, during the 1965 crop year, to cut back production of feed grains, wheat, and cotton with negligible results. We should permit our farmers to expand their acreage of both sugarbeets and cane.

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Chart 2. U.S. Sugar Quota Premiums and Discounts, Basis Wholesale Prices at New York and World Raws, by Months, January 1959-June 1965



Examples of how quota premiums and discounts are computed :

[Cents per pound]

	February 1964	June 1965
Domestic price, duty paid, New York.....	8.02	6.72
Minus duty.....	.625	.625
Plus bag allowance.....	.055	.055
Minus shipping charges.....	.36	.39
Domestic price adjusted to world basis.....	7.09	5.76
World price.....	9.11	1.96
Quota discount.....	2.02	
Quota premium.....		3.80

The CHAIRMAN. In other words, the American Farm Bureau does not agree with the agreement reached by all segments of the domestic industry.

Mr. LYNN. When you say—

The CHAIRMAN. You advocate that we set it aside and let the industry go free as it wants to do?

Mr. LYNN. No, sir; no, sir.

The CHAIRMAN. What are you asking?

Mr. LYNN. The freedom to market what we produced during the 2 years when the Secretary of Agriculture took off acreage restrictions. And in that period the farmers responded to his request and they produced sugar as they want to produce sugar now. These farmers produced this sugar in good faith. All we are suggesting is that they ought to be allowed to market this sugar.

The CHAIRMAN. There is no question about that. This committee was willing to give them that permission 2 years ago. We were willing to do that then, and we were willing to do it last year, and the year before—any time—this year—but as I understand the agreement was reached by the domestic industry—

Mr. LYNN. We are not a party to that agreement.

The CHAIRMAN. That is what I am saying. You are saying that after they worked for weeks and months and got together and then agreed—every segment of the industry agreed except a few—the Farm Bureau wants to set that aside.

Mr. LYNN. Certainly, that is what we are recommending, because we do not agree with this so-called consensus.

The CHAIRMAN. Thank you very much, Mr. Lynn. Are there questions? Mr. Latta.

Mr. LATTA. Is this what you are saying, Mr. Lynn, that you do not think that it is wise for this Congress to appropriate money to take land out of production and pay subsidies to produce surplus crops when some of that land could be utilized for sugarbeet production?

Mr. LYNN. That is one of the points we are making. But more importantly than that, Mr. Latta, if we go through the experience of allocating these quotas to these foreign countries for 5 years we will never get them back.

The CHAIRMAN. Let me ask you this: If we do what you are talking about, do you not know that the foreign producers would put the domestic producers out of business in a few months?

Mr. LYNN. No; we do not.

The CHAIRMAN. You do not agree with that?

Mr. LYNN. We do not agree with that.

The CHAIRMAN. Why did they bring that up then?

Mr. LYNN. I do not know why they did.

The CHAIRMAN. Thank you very much. Mr. Purcell.

Mr. PURCELL. I was thinking that at one time you were against that.

Mr. LYNN. We have been for extending the Sugar Act with the two amendments that I suggest.

Mr. PURCELL. In the Sugar Act itself there is some kind of a provision for collecting a fee when they bring the foreign sugar in, is there not?

Mr. LYNN. That is right—there has been up to now.

Mr. PURCELL. And this has not caused a cutoff or, rather it will not be cut off now.

Mr. LYNN. I understand that the President said yesterday that the fee will be eliminated.

Mr. PURCELL. How do you rationalize your favoring the act when it has a collection fee in it and you are so violent in your objection to what you call the bread tax on wheat?

Mr. LYNN. The compensatory payment program that is involved in the Sugar Act was designed to increase the domestic production of sugar, because it is a deficit crop. What you are about to do in the Agriculture Act of 1965 is apply the compensatory payment idea to three crops that are in surplus, cotton, wheat, and feeder grains. And you will have the same result with other crops as we have had with the sugar with the farmers being willing to increase their production.

The CHAIRMAN. Do you not know that we are making payments to the producers now?

Mr. LYNN. I know it, but—

The CHAIRMAN. The money that we are paying to the domestic producers is coming right out the American housewives' pocketbooks.

Mr. LYNN. Or from taxes.

The CHAIRMAN. You made over half a billion dollars on the program and it never came out of the pockets of the housewives—not a penny came out of the taxpayers.

Mr. LYNN. Mr. Chairman—

The CHAIRMAN. Am I right or wrong? The record shows that.

Mr. LYNN. I think a great deal of the sugar payments have been made other than out of the housewives' pocketbook, the so-called processing tax.

The CHAIRMAN. Where did it come from?

Mr. LYNN. From import fees—that is one place. That is \$70 million.

The CHAIRMAN. I am talking about the program—my recollection is that it shows a profit to the taxpayers of America more than \$1½ billion.

Mr. LYNN. No, we do not agree with that.

The CHAIRMAN. What is wrong?

Mr. LYNN. We would be very happy to sit down with this committee or the industry group and figure out a better program for sugar.

The CHAIRMAN. Why did you not do that last year and the previous year? Why do you wait until they have now figured out something to come forward?

Mr. LYNN. We have been working with the beet and cane sugar growers and the processors on this program since January of 1964.

The CHAIRMAN. And you have not been able to convince them.

Mr. LYNN. Not entirely.

The CHAIRMAN. All right. Are there any further questions? Mr. Purcell.

Mr. PURCELL. My one question has not been answered yet.

[Laughter.]

Mr. PURCELL. Is it not true that whatever has been done for the domestic growers, either the beet or cane sugar growers, that there had been subsidy paid to them that has been collected for some kind of a fee.

Mr. LYNN. That is right—and we would—

Mr. PURCELL. And it has worked pretty well.

Mr. LYNN. What did you say?

Mr. PURCELL. It has worked pretty well for the domestic producers.

Mr. LYNN. It was designed to increase the production of a commodity that was in short supply.

Mr. PURCELL. It went into the pockets of the producers, because he could not compete with his foreign producers.

Mr. LYNN. It went into the pockets of the producers to encourage him to procure sugar.

Mr. PURCELL. And it was paid for by the consumers, was it not?

Mr. LYNN. In part.

Mr. PURCELL. Do you have any language that I can understand where it explains why you think that this is good and why the consumer should not pay what the wheat is worth?

Mr. LYNN. The whole Sugar Act is predicated on the fact that it is a deficit commodity in which we want to increase our production in order to meet our domestic needs, insofar as we can.

Mr. PURCELL. We know that we can increase it if it is subsidized.

Mr. LYNN. That is right.

Mr. PURCELL. We cannot grow wheat without subsidizing it—do we not know that?

Mr. LYNN. No, we do not know that yet.

Mr. PURCELL. You still think that you can do it for \$1 a bushel?

Mr. LYNN. No, we never said that.

Mr. PURCELL. You were for a bill that would pay about \$1.

Mr. LYNN. No, no—\$1.36 a bushel was in the price support under our bill—average 3-year world price.

Mr. PURCELL. It was?

Mr. LYNN. Yes.

Mr. PURCELL. Well now, have you given the only explanation that you wanted to give here for your support of one and your opposition to the other?

Mr. LYNN. Yes, and if you would like more, I would be glad to give it. I think that I have made it clear.

The CHAIRMAN. Have you finished yet?

Mr. PURCELL. Yes.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. I have a question about allocation for new plants. Under the 1962 act there were provisions made to take care of certain areas in this growth and expansion. Apparently all of those have been taken care that the U.S. Department of Agriculture feels are necessary. Do you have any comment on this provision? You talk about it very briefly on page 2 of your statement.

Mr. LYNN. The essence of our recommendation is that with the additional quota that we would allocate to the domestic producers that we would be able to continue to expand their production not only with the present plants, but with new plants. We could use 200,000 to 250,000 acres of the best land in the United States to grow sugar that we need for domestic consumption.

Mr. DOLE. I think probably, you made the point and this program being as different as oranges and apples. The difference is between a deficit and a surplus crop, and when we talked about specific programs, as I understand it.

Mr. LYNN. Well, the basic reason that we support the wool and sugar programs is because they are both deficit commodities and the programs are designed to increase our production of wool and sugar to meet our needs. When you apply that same principle to a crop that we have in surplus supply you are going down a different road and you will get just what you got in sugar when you turned the acreage loose.

Mr. DOLE. Thank you.

The CHAIRMAN. Mr. Harvey?

Mr. HARVEY of Indiana. We have had a group here from Indiana—not from my district, I might add—for the past 3 years, and I am sure that you are aware of this group that has been very anxious to set up facilities for a beet sugar plant and to be assured of the acreage. If this bill is carried out will there be any hope for this area to acquire a sugar mill in the foreseeable future?

Mr. LYNN. No; not, at least for 5 years. And we say that for the foreseeable future it will be very dim, because we know that there

are substitutes being developed for sugar, just like they are being developed for cotton and other things. And it may be that our own Sugar Act, if extended for 5 years, it will encourage this, so that we would not have any growth of domestic sugar.

The CHAIRMAN. Well, the people in Wabash want to build five mills. Do you think that they should be permitted to build five mills?

Mr. LYNN. No, sir; but they should have an opportunity—not have the door closed.

The CHAIRMAN. All right, thank you, very much.

Mr. LYNN. Thank you.

The CHAIRMAN. Our next witness is the Honorable George V. Hansen. We will be glad to hear from you now.

STATEMENT OF HON. GEORGE V. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. HANSEN. Mr. Chairman, I appreciate this opportunity of presenting my views on sugar legislation to this committee.

Two weeks ago today a number of Members of the House representing sugarbeet areas called for immediate consideration of sugar legislation to correct what is an intolerable situation in the industry. I was among those calling for such immediate consideration, and I am happy and grateful that these hearings are being held and that chances appear bright for early enactment of legislation granting relief to sugarbeet growers.

At this point, Mr. Chairman, I would like to acknowledge the presence of and introduce three important men in the industry in my State, and if I may, I would like to present the president of the Idaho Beet Growers Association, Mr. Jack D. Claiborn, and Mr. S. Albert Johnson, vice president of the Idaho Beet Growers Association and then we have the president of the NYSSA-NAMPA Beet Growers Association, Mr. William M. Carson.

The CHAIRMAN. We are very glad to have all you gentlemen here.

Mr. HANSEN. Mr. Chairman, on the 4th day of January, 1965—the first day of the 89th Congress—I introduced a bill, H.R. 311, which would increase quotas for domestic sugar-producing areas by 1 million short tons, raw value, for each of the calendar years 1965 and 1966. I still believe this increase is necessary and I would hope that this committee would consider an amendment to the administration bill to this effect. However, should this not be done, I would then urge that H.R. 10496 be passed as speedily as possible. The modest increases it contains for domestic beet sugar and mainland cane, while not solving the problem that exists, would be helpful.

In considering sugar legislation, Mr. Chairman, I believe it to be of vital necessity that the committee keep in mind the fact that the bind in which domestic producers find themselves is a direct result of increased production in 1963 and 1964 when world sugar prices were high and in anticipation that the United States would have trouble filling its needs from foreign producers at reasonable prices.

This increased production came about when, on March 14, 1963, it was announced that there would be no acreage restrictions—proportionate shares—on the 1964 crop of sugarbeets, and when, on May

6, 1963, it was announced that there would be no acreage restrictions on the 1965 crop.

But, after production was increased, acreage restrictions were re-imposed. This amounted to a 14-percent cutback for the 1965 crop in Idaho, and a further restriction for the 1966 crop.

I submit, Mr. Chairman, that this is unfair. Logic and reason demand that sugarbeet growers market their requested increased production.

Again, I strongly urge that H.R. 10496 be amended to include a more realistic increase in marketing quotas for sugarbeet growers. Again, however, should this not be done, I strongly urge that H.R. 10496 be passed as speedily as possible.

The CHAIRMAN. Thank you very much, Mr. Hansen.

(Congressman Hansen also submitted the following telegrams:)

BURLEY, IDAHO, July 23, 1965.

GEORGE HANSEN,
House of Representatives, Washington, D.C.:

What chance for Sugar Act this session? Farmers concerned about further acreage cuts without legislation.

BILL BECK,
President, Lower Snake River Beet Growers Association.

BURLEY, IDAHO, July 23, 1965.

GEORGE HANSEN,
House of Representatives, Washington, D.C.:

Need sugar legislation to protect acerage allotments. Can you expedite passage of act before adjournment?

O. E. CHRISTENSEN,
Director, Cassia County Beet Growers Association.

BURLEY, IDAHO, July 23, 1965.

GEORGE HANSEN,
House of Representatives, Washington, D.C.:

Suggest all possible action to enact sugar legislation before adjournment. Farmers concerned further acreage cuts.

H. R. BOWN,
President, Cassia County Beet Growers Association.

KIMBERLY, IDAHO, July 24, 1965.

HON. GEORGE HANSEN,
House Office Building,
Washington, D.C.

CONGRESSMAN HANSEN: House Agriculture Committee Chairman Harold D. Cooley, in his address to the Sugar Club in New York on Thursday, June 17, promised to introduce his own sugar bill late in June and to set public hearings on the bill in mid-July. Chairman Cooley has anounced on numerous occasions that if the domestic industry would reach complete agreement on sugar legislation the Congress would give early consideration. The domestic industry reached agreement in early spring but nothing has been done. Time is running out.

The beet sugar industry has been marketing at a rate of 3,025,000 tons per year. The present quota remains at 2,650,000 tons per year, and will until changed by Congress. Unless action is soon taken a chaotic market situation will arise. Even with the proposed increase in the beet sugar quota, the industry will be faced with an additional cut in acreage for 1966. It now appears that action on the omnibus farm bill is necessary before sugar legislation can be considered.

Please exert all possible effort to force this bill out of committee and on to the floor of the House so action can be taken.

Sincerely,

JACK D. CLAIBORN,
President, Idaho Beet Growers Association.

TWIN FALLS, IDAHO, July 26, 1965.

HON. GEORGE HANSEN,
*House Office Building,
Washington, D.C.*

CONGRESSMAN HANSEN: Sugar legislation must come during this Congress. Because all action on sugar will be held up until the omnibus farm bill is acted upon please exert all possible effort to force this farm bill out of committee and on to the floor of the House for action.

Sincerely,

DALE DEPEW,
President, Gooding-Jerome-Lincoln County Beet Growers Association.

BURLEY, IDAHO, July 26, 1965.

Representative GEORGE HANSEN,
*House of Representatives,
Washington, D.C.:*

May we urge you to do all in your power to get immediate action on pending sugar legislation. Growers in Idaho face a large acreage cut in 1966 if Congress does not take favorable action this year. We are depending on you.

MINIDOKA COUNTY BEET GROWERS ASSOCIATION,
CLYDE GREENWELL, *President.*
DICK ASHCRAFT,
WILBUR BUTLER.
RICHARD BLINCO.
MAX FIFE.
ARLO MONTGOMERY.
SHERMAN SAYLOR.
DICK WESTENDORF.

OAKLEY, IDAHO, July 26, 1965.

Representative GEORGE HANSEN,
*House of Representatives,
Washington, D.C.:*

In the interest of the sugarbeet growers of this area it is essential that you through your full influence get sugar legislation passed this session.

JOHN R. ADAMS,
Director of Cassia County Sugarbeet Association.

MURTAUGH, IDAHO, July 26, 1965.

HON. GEORGE HANSEN,
*House Office Building,
Washington, D.C.:*

Sugar legislation must be enacted soon but it is apparently being held up by the omnibus farm bill. Because of the importance of sugar production to us here in southern Idaho the beetgrowers solicit your every effort to force the omnibus farm bill out of committee so action can be taken thus clearing the way for needed sugar legislation.

Sincerely,

LEN PICKETT,
President, Twin Falls County Beet Growers Association.

TWIN FALLS, IDAHO, *July 27, 1965.*

HON. GEORGE HANSEN,
House Office Building,
Washington, D.C.:

Those of us here in Idaho, who include sugarbeets in our crop rotation, depend very much on good, sound sugar legislation. A sugar bill rushed through during the final hours of this Congress could mean poor legislation. Your every effort is requested to clear the way and get action on sugar legislation as soon as possible.

Sincerely,

CARL BOYD.

TWIN FALLS, IDAHO, *July 27, 1965.*

HON. GEORGE HANSEN,
House Office Building, Washington, D.C.:

The sugar industry is far too vital to our farm economy to risk no sugar legislation or poor sugar legislation. The domestic sugar industry is in agreement on needed changes, but Congress must act. Please use influence to clear way for sugar legislation as early as possible.

Sincerely,

REX REED.

TWIN FALLS, IDAHO, *July 27, 1965.*

HON. GEORGE HANSEN,
House Office Building, Washington, D.C.:

The sugar beet industry is most vital to the sagging economy of southern Idaho. The growers have been forced to accept a 14.6 percent cut in acreage this year. Without new and favorable sugar legislation during this session an additional 40 percent cut is inevitable. Therefore it is imperative that sugar legislation be enacted that this vital industry may be able to survive. A new milestone was reached when the entire sugar industry united behind a proposal. Therefore, it behooves Congress to be cognizant of this industry and the important position it holds in the economy of this Nation and in this State.

DONALD MARTENS,

President, Twin Falls County Farm Bureau Board of Directors.

The CHAIRMAN. I will now ask unanimous consent that Hon. John J. Rhodes of Arizona, Hon. E. Y. Berry of South Dakota, and Hon. Santiago Polanco-Abreu, Resident Commissioner of Puerto Rico be permitted to file statements for the record. Without objection that will be done.

(The prepared statements referred to above follow:)

STATEMENT OF HON. JOHN J. RHODES, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF ARIZONA

Mr. Chairman, I appreciate the opportunity to present this statement to your distinguished committee in support of H.J. Res. 614, a joint resolution to authorize increased marketings of domestic beet and cane sugar in 1965 and 1966.

During the past 2 years, surplus domestic sugar has been accumulated as a direct result of the administration's encouragement of domestic production. Reliable estimates indicate that the 1965 crop cannot be marketed under existing laws because of this large carryover.

To correct this undesirable situation, H.J. Res. 614 would raise the limit on marketings of the domestic beet sugar area and the mainland cane sugar area to quantities of 3,025,000 short tons, raw value, and 1,100,000 short tons, raw value, respectively. These quantities reflect industry agreement in regard to increased marketing authority needed for 1965 and 1966.

Mr. Chairman, may I emphasize that this legislation is for the purpose of marketing sugar which is currently being produced. The intent is not for increased domestic production. The administration has already encouraged the production of this sugar for the last 2 years, and the problem is now for the

use of that which was produced, and is currently being produced, as a result of the insufficient supply from foreign producers in recent years.

Mr. Chairman, for the protection of domestic economic investors and producers, I urge adoption of this legislation.

STATEMENT OF HON. E. Y. BERRY, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF SOUTH DAKOTA

Mr. Chairman, my purpose in testifying before this committee today is to urge prompt action on the legislation which would extend the Sugar Act and to urge that the import fee be reinstated. The urgency of this legislation cannot be over-emphasized.

Last December, the Secretary of Agriculture permitted the import fee on foreign sugar to expire. The loss of the U.S. Treasury is \$80 million per year, but more importantly, the loss of the fee opens a wedge for increased imports of sugar upon our domestic market.

We began this year with an inventory of sugar nearly 100,000 tons higher than the present authorized marketing quota permits to be sold in the United States. Obviously, if a surplus is available from domestic producers, the traditional curb against imports must be restored to avoid a chaotic market situation. The quota remains at 2,650,000 tons per year and will until it is changed, hopefully by this committee. The mistake of not collecting an import fee can also be corrected by the committee.

The reason for the surplus is simple: The executive branch of the Government urged the domestic industry in 1963 and 1964 to produce all the sugar that it possibly could in order to offset the sugar shortage which resulted when the Cuban supply was ended by a Communist takeover in that country. The Government's request was met magnificently by the American sugar producers; but we let them down.

By failing to enact sugar legislation last year, to provide the authority, our domestic industry needed to market the extra sugar it had produced at Government request, the inventory increased to the point that under the present quota the domestic beet sugar industry cannot market all of the sugar they have on hand. They cannot sell this sugar until they get an increase in the quota. Sugar companies are over a barrel; they responded to the Government's request and got caught in the crack.

The seriousness of the situation is seen when we view the consequences of not enacting this legislation immediately. Unless the industry gets some quota relief this year, the industry will run out of marketing rights. This could happen as soon as the middle of October.

Another serious impact on the industry will be on next year's crop. A voluntary cut of 10 percent was taken by the industry for this season's production. The surplus, it must be remembered, was incurred because the growers were urged by the Government to increase production. Because of this voluntary cut, however, not all of last year's crop was planted. Also fewer beets per acre were planted, and production will be less than was anticipated. But if this legislation is not enacted, despite these two favorable factors of low yield and underplanting, another 10-percent cut in production will be forced upon the domestic producers.

Several other dangers lie ahead if we continue to tolerate and permit reduced plantage. Many producers use sugar beets as a rotation crop, planting it once every 4 years to improve soil. If we disrupt this cycle and force a farmer to reduce his acreage of sugarbeets, we disrupt an orderly rotation process and disrupt this type of agriculture not only for 1 year, but for 4 years. Secondly, the adjustments being made by many producers to alleviate the transition problems caused by the expiration of the bracero labor program would be made more difficult. Many producers use beets to handle this transition because beets can be harvested almost completely by mechanical means.

No sugar legislation was enacted last year despite pleas from all segments of our domestic industry. The administration has waited too long this year in sending its legislative message on sugar to Congress, and unfortunately, did not include reinstatement of the import fee in that message.

We are now given the opportunity to correct this inequity. The most important problem of allowing the American producer to enjoy his fair share of the market can be solved.

We have spent billions around the world supporting programs to increase the production of foreign farmers, but have not taken the time to help our own producers. The sugar import fee which has made the program self-paying in the past must be restored as a protective measure. We have turned our backs on the sugar industry; their reward for answering the Government's plea to step up production 2 years ago.

Congress has seen fit to pass many sugar-coated bills this session, now it is time for Congress to pass sugar legislation itself.

STATEMENT OF HON. SANTIAGO POLANCO-ABREU, RESIDENT COMMISSIONER OF
PUERTO RICO

Mr. Chairman and members of the committee, I should like to identify myself with the administration and industry position with regard to H.R. 10496. The application of the Sugar Act is important to Puerto Rico, as it is to all the other U.S. sugar-producing areas. For this reason, I am happy to support the extension of this workable and effective legislation and also support the 1965 amendments, which will ease the marketing problems of some of our sister areas and continue supply and price protection to domestic consumers.

The Sugar Act and the stability which it brings to the sugar industry are fundamental to the welfare of thousands of Puerto Rican families. Sugar continues to be a major source of income for the people of Puerto Rico.

The hurricane of 1956, which was followed by an unprecedented drought, reduced the 1956-57 sugar crop to 8.7 million tons of cane. During the following 4-year spell of especially bad harvesting conditions, efforts were made to recover from this temporary setback. With the help of the Commonwealth government, large investments are made annually to mechanize industry, to replant old ratoons, and to apply modern techniques. Thus, by 1962-63, an output of more than 10 million tons of cane was once again reached.

In recent years, Puerto Rico has suffered, with most other parts of the world, an unexplained reduction in the percentage yield of sugar from sugarcane, and, during the past 2 years, severe drought conditions again struck the island. Wetter weather in recent months indicates a probable turn in the long cycle of rainfall deficiency. While it is too early to estimate our production for 1966, I can tell you that present prospects are for a substantial increase over the unusually low 1955 level. We certainly will not be back to the level of production prior to 1957, but I think we will be able to regain some of the ground that we lost during the past 8 years.

The amendments to the Sugar Act provided by H.R. 10496 will give Puerto Rico a period in which to recover her lost production levels. I want to assure the committee that the Commonwealth government, the University of Puerto Rico, and the industry itself are lending every effort to restore our sugar production to the quota level to insure a dependable supply for the United States. H.R. 10496 will provide us with that opportunity.

In closing, I should like to say that while the bill before the committee has our support and meets with our general satisfaction, we regret that we are still under severe quota limitations for direct consumption sugar. Puerto Rico has not enjoyed any substantial increase in its refined sugar quota in 30 years, since 1934. On behalf of our people, I want to express the hope that the next sugar bill before the Congress will deal with this problem and that this committee will, at the first opportunity, consider a substantial increase in the refined sugar quota for Puerto Rico.

The CHAIRMAN. We will next hear from Mr. George Sinner, of North Dakota. We are glad to have you with us, senator.

STATEMENT OF GEORGE SINNER, CHAIRMAN OF THE NORTH
DAKOTA GOVERNOR'S ADVISORY COMMITTEE ON SUGAR

Mr. SINNER. Thank you, Mr. Chairman.

I am George Sinner, of Casselton, N. Dak. I am a sugarbeet grower. I farm with a brother and brother-in-law on the same farm on which my father began raising sugarbeets about 40 years ago.

I am speaking here on behalf of the North Dakota Governors Advisory Committee of which I am chairman. With me is Mr. James Link, also a member of the North Dakota Advisory Committee and a farmer who wants to raise beets and who is a director of the Southern Red River Valley Sugarbeet Development Corp. This is one of three large development corporations in our State.

Mr. Chairman, my message is brief. We support House bill 10496 as apparently the best possible compromise for the present. My people have also asked me to make it crystal clear to all concerned that in our area we have many farmers who want badly to raise sugarbeets for the American market.

During the last 3 years some 2,000 farmers in my area have backed up with money their long expressed desire to raise sugarbeets. These farmers which are old growers as well as potential growers have invested \$500,000 to support sugarbeet development efforts.

Mr. Chairman, you know the plight of the grain farmers today. You know it better than I. Production cost figures which I have given the committee indicate the diminishing return that makes more and more questionable the capital investment required for machinery and labor.

My country which is far from the least prosperous in the upper Midwest has lost 10 percent of its farms in the last 5 years. It is interesting, sir, that none of these were sugarbeet producing farms. The point is, Mr. Chairman, that more sugarbeets are needed in our sagging farm beet economy.

A second point, Mr. Chairman, is that increasing sugarbeet production will benefit the economy of the entire Nation. The documentation which I have presented to the committee spells out the large amount of machinery, labor, trucks, and fertilizer that go into sugarbeet production. These are the products of industrial America.

Mr. Chairman, as I understand this bill, it gives preferential treatment to foreign countries who supplied extra sugar during 1963 and 1964. American beet growers also supplied extra sugar at extra investment, I might point out, but they receive no such preferential treatment under this bill. We find this difficult to understand.

In short, Mr. Chairman, the Governors Advisory Committee of North Dakota, which is made up of farmers, business and working people and which I represent, have asked me to inform the committee that our area stands ready and anxiously awaiting the opportunity to produce more sugar.

We hope that developments in the coming years and the wisdom of Congress will make this possible.

The CHAIRMAN. Thank you very much, Mr. Sinner. Mr. Latta? Mr. Latta. You state:

We support House bill 10496 as apparently the best possible compromise for the present.

Mr. SINNER. Yes.

Mr. Latta. That is for 5 years.

Mr. SINNER. Mr. Chairman and Congressman Latta, I am sure that you are aware of the complexities involved in sugar legislation and we are, too. We are aware of the surplus inventory of sugar. We are, also, aware of the production capacity of our processing mills. And while I assure you that I am most sincere in stating for the record

that our people want to raise more beets, we are not here to wreck the industry or to suggest anything that will wreck the industry. We do hope, though, that in the future as the world situation changes that Congress and this committee will be alert to the changing situation and be willing to amend, if necessary, and if advantageous for the American economy, this Sugar Act in the interim.

Mr. LATTI. Apparently, being the chairman of this North Dakota Advisory Committee you are familiar with what is in the bill. I must admit I am getting more confused by the minute. The testimony we heard yesterday was to the effect that the domestic producers take a 11-percent cut. Now the question is, who is going to supply the increase by reason of the fact that we are going to use not less but even more sugar?

Mr. SINNER. Mr. Chairman and Congressman Latta, the cut that Mr. Kemp spoke of as the result of the 1962 act was, as I understand it, a provision in the act that gave a guarantee of tonnage to the expansion areas. The expansion group and the development group which are in our State do not in any way wish to have such a provision put in this act. They do not at any time suggest that they should take acreage from the old growers and give it to the new growers—to rob Peter and to pay Paul makes little sense there, as well as anywhere else. They feel as has been expressed by other members or other witnesses this morning that we have a real farm problem, and while we have areas that are having trouble in one commodity or the other our area can raise beets and can raise them efficiently, and we are only here to say that we want this committee and the Congress of the United States to be cognizant of this fact and in the future to be alert to the situation and to be willing to amend this act if necessary.

Mr. LATTI. Are you speaking for these growers, though, when you appear before this committee in support of this bill that locks them in so that they cannot expand their production for the next 5 years?

Mr. SINNER. Congressman Latta, I am sure that you are aware that any spokesman for any group of any size has to make a certain decision in his testimony and I have made mine.

Mr. LATTI. I do not know what that is. [Laughter.]

Mr. SINNER. I spoke in favor of the bill as the best possible compromise.

Mr. LATTI. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much. We now recognize our distinguishment colleague from Louisiana, Mr. Willis.

STATEMENT OF HON. EDWIN E. WILLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. WILLIS. Mr. Chairman and members, since all segments of the industry are in agreement, I will go along with my constituents. As a matter of principle.

Thank you.

The CHAIRMAN. That is a good position for you to take. [Laughter.]

The next witness is Mr. Joseph Creed, the American Bakers Association. Are you going to talk about wheat or sugar? [Laughter.]

Mr. CREED. About sugar.

The CHAIRMAN. You may proceed.

STATEMENT OF JOSEPH M. CREED, ON BEHALF OF THE INDUSTRIAL SUGAR USERS GROUP

Mr. CREED. Mr. Chairman and members of the committee, I will be willing to confine my remarks to sugar if the committee will go along with that. [Laughter.]

My name is Joseph M. Creed.

The CHAIRMAN. Are you going to file your statement?

Mr. CREED. My statement is relatively brief, Mr. Chairman, and I think that we can cover it quickly by reading it.

I appear here today on behalf of the Industrial Sugar Users Group, which is comprised of most of the major industry organizations which use sugar in the manufacture of their products.

They are: American Bakers Association, American Bottlers of Carbonated Beverages, Associated Retail Bakers of America, Biscuit & Cracker Manufacturers' Association of America, Chocolate Manufacturers Association of the United States of America, Flavoring Extract Manufacturers Association of the United States, International Association of Ice Cream Manufacturers, National Bakers' Suppliers Association, and National Preservers' Association, Inc.

We appreciate this opportunity to comment on H.R. 10496 a bill to amend and extend the Sugar Act of 1948.

As this committee is aware from our testimony on sugar legislation in previous years, we, as sugar users, are primarily interested in assurances of an adequate supply of sugar at reasonable prices, under all conditions. Although we find the bill to be generally satisfactory in what it proposes to do, it would not correct what we consider to be certain deficiencies in the existing act.

We recognize the difficulty confronting the committee in trying to do complete equity in balancing the many interests involved in any sugar program; yet, we believe the deficiencies to which we refer must be corrected to establish an equitable relationship as between producer and user interests. I would summarize our views as follows:

(1) The substantial increase in the fixed quotas to 3,025,000 tons for the domestic beet growers and 1,100,000 tons for mainland cane areas, we consider to be an acceptable level for the term of the act through December 31, 1971. This substantial quota, together with other steps taken by the domestic producing industries, such as their expressed willingness to maintain higher inventories in the future, would, in our opinion, enable them to market the surplus quantities of sugar which they have accumulated from excess plantings in the past few years.

(2) We oppose the continuation of an import fee, at any level, on foreign sugars. It is the view of the Industrial Sugar Users Group that such a fee will operate to discourage production in many foreign areas on which we must depend for supplies. We regard the difference between the world price and our domestic price as a necessary and desirable incentive to those countries having a U.S. quota enabling them to provide this country a continuing supply of sugar within their U.S. quota and to maintain sufficient inventory to do so. The fluctuations in the world price, coupled with substantial periods when it is below what may reasonably be regarded as cost of production, acts against continuity of supply from any country not having a protected outlet. A U.S. quota is such a protected outlet. It seems to us that a

U.S. quota for a sugar-producing country with which we are in friendly relations is a benefit both to that country and to the United States. To grant a quota and then undo its benefit to the supplying country by imposing an import fee against the quantity of sugar supplied under that quota appears to defeat the value of the quota concept.

The next paragraph is not, perhaps, pertinent in view of the fact that the administration has seen fit to concur with the view of the chairman that an import fee is unsound and it has been deleted from the legislation as proposed. However, we would like to have the paragraph included in our statement for the record.

The CHAIRMAN. It may be included.

Mr. CREED. However, should Congress, contrary to our recommendation, include an import fee at some level in this legislation, we believe it should also provide for a corresponding reduction in the processing tax on sugar equivalent to the amount of the import fee is the recapture from foreign sources of some of the additional payments which these suppliers obtain through the higher price levels prevailing in the United States as compared with world market prices, it is reasonable that this recapture should be immediately passed on to the consumers of sugar who pay the processing tax.

(3) Section 201 should be amended to require that at no time should the consumption estimate made by the Secretary of Agriculture be less than a specific quantity, based on distribution of sugar in the 2 years immediately preceding the year for which the determination is made.

It has been our observation, over the years that the Sugar Act has been in effect, that the Secretary too frequently announces an initial consumption estimate, and consequently a quota determination, considerably below what may be reasonably be anticipated as the domestic requirements in the forthcoming year. In the rationale accompanying these estimates, the Secretary is occasionally candid enough to admit that such an estimate is made deliberately below anticipated requirements to push the price level of sugar higher. We believe this use of the act is contrary to its intents and purposes and that a specific legislative directive should be incorporated to prohibit the Secretary from applying this kind of leverage toward higher prices. An actual consumption estimate higher than expected demand has never been made by the Secretary to bring about a decrease in prices.

(4) The porportional payments to growers in the act are now established on the basis of fixed amounts related to the quantity of sugar produced by each grower. These payments remain unchanged regardless of how high the price of sugar may go. The deficiency of this system was glaringly obvious in the 1963 period when sugar prices soared to astronomical levels, and the proportional payments continued as if everything were normal. Since the concept of a subsidy payment is to provide a minimum or floor below which the commodity price should not be permitted to fall so as to protect the farmer in a declining market—and in the case of sugar financed through the processing taxes collected from consumers—these payments to the growers should decrease as the price of sugar rises above the predetermined floor.

We urge the act be amended to accomplish this. In order that any reduction in the proportional payments may directly benefit the consumer, we further recommend that provision be made for a corresponding reduction in the processing tax measured by the reduction in the proportional payments. Such a provision would continue to provide the farmer with adequate protection when prices were low, and would shift the benefit to the consumer when prices moved above the statutory price objective.

(5) During this past year following the expiration of the foreign quota provisions on December 31, 1964, the Secretary of Agriculture assumed the authority to control imports during the current year. Without arguing the question of legality involved in this action, we strongly believe that the concept of quarterly import quotas as used by the Secretary should be specifically prohibited by the Sugar Act. The use of this technique, in our opinion, endangers an orderly flow of sugar from offshore sources, and could be extremely disruptive of both the supply and price stabilization which the act seeks to achieve. The use of quarterly quotas brings benefit neither to producers, refiners, nor users, but merely adds an unnecessary element of risk and uncertainty into the operation of the sugar program.

(6) A continuing problem in the administration of the Sugar Act has been the unwillingness of the Secretary promptly to determine deficits in shortfall areas and reallocate them to other areas. To the extent that there is delay in determining the existence of a deficit when the facts are known, and promptly to reallocate them, to that extent the actual sugar quota is reduced by the anticipated deficit. If we are to have a dependable flow of sugar from foreign areas, it is imperative that these suppliers be given as much advance notice as possible of the potential demands, which will be made upon their supplies. Delayed determination and reallocation of deficits impose an unnecessary and avoidable market hazard, particularly for sugar users in east coast areas which depend entirely on offshore suppliers to meet their requirements. This in turn exerts an upward bias in New York prices, which is reflected in higher price levels throughout the country. It is our view that administration of the act in this fashion is inconsistent with its aims and objectives. We urge that a provision be included in the act requiring the Secretary to move promptly, both to determine and reallocate deficits.

With inclusion of the changes suggested by us, we believe the amended act will be a greatly improved instrument for stabilization of the sugar market; it will enable the Secretary more effectively to carry out those objectives, set forth in its preamble:

To protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry; and to promote the export trade of the United States.

We have purposely made our statement brief, Mr. Chairman. We recognize that considerable preliminary work has gone into the development of the proposed amendments now before the committee. We think all segments of the sugar industry have made continuing and constructive effort to eliminate areas of disagreement that resulted in no legislation a year ago, and we are hopeful that this attitude of cooperation will continue in the development of the final legislation approved by the Congress. Again, we wish to thank the committee for its courtesy in extending us time to appear before it.

The CHAIRMAN. Thank you very much, Mr. Creed.

Mr. Teague?

Mr. TEAGUE of California. I want to be sure that I understood Mr. Creed correctly. Your position, I gather, is that you would like to have more imports, and also like to keep the increase of domestic production to a minimum?

Mr. CREED. That is not precisely the way that I would put it, Mr. Teague. We think that the balance between domestic production and imports is as high as it should be under the circumstances. We have always taken the position that since the domestic production is heavily subsidized then it should be limited to a certain extent.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. Mr. Latta?

Mr. LATTA. I would like to have the record show this, Mr. Chairman, that Mr. Creed and I just parted company in our thinking. I was with him on the bread tax elimination, but I certainly am opposed to his position on this. He is asking for more importations of sugar and less domestic sugar production. I just cannot go along with that.

Mr. TEAGUE of California. I, also, would like to have the record show that I concur with Mr. Latta.

The CHAIRMAN. All right.

Mr. PURCELL. May I ask one question?

The CHAIRMAN. You may have one.

Mr. PURCELL. I would like for him to explain, please, sir, his attitude on having not brought up this subject of a "sugar tax," on the poor people that eat bread before. He has been worrying about these poor people on the wheat program and this is exactly like the so-called bread tax. Why did he not want to launch a campaign that would be equally effective against this sugar without all of the subsidies tied to it.

Mr. CREED. Mr. Purcell, we have opposed the processing tax for many years back. Every time we have testified before this committee we have called attention to the fact that this processing tax is imposed on the consumer and something should be done about it.

Mr. PURCELL. But you never have launched a campaign, getting all of the truckdrivers and their wives and everybody that you could round up to write letters. [Laughter.]

Mr. CREED. Mr. Purcell, let me just apologize if anyone wrote a mean letter. I certainly hope that there were not many of those.

With reference to our objections on the processing tax on wheat, wheat happens to be our major ingredient in our product, particularly, in bread. Two-thirds of the contents of a pound of bread is wheat flour.

Mr. PURCELL. What is the cost of that two-thirds of the loaf of bread that is wheat?

Mr. CREED. I do not have the flour quotations right now before me, but I suspect that the price of a hundredweight of flour which is what we buy would be in the vicinity of \$5.50 to \$6 a hundredweight.

Mr. PURCELL. How much wheat is there in a loaf of bread—I know that you know that.

Mr. CREED. About two-thirds of a loaf is composed of wheat.

Mr. PURCELL. How much wheat is in a loaf of bread—in a one-pound loaf?

Mr. PURCELL. Well, according to the Department of Agriculture figures—

Mr. PURCELL. I know about their figures. They are the ones that you have condemned, right? I want your figures.

Mr. CREED. We accept the Department of Agriculture's statistical figures as to the value of wheat in a loaf of bread which they put at 2.3 cents.

Mr. PURCELL. How much sugar do you have in a loaf of bread?

Mr. CREED. Considerably less. The quantity—the percentage of sugar ranges about from 4 to 8 percent, depending on the particular formula.

Mr. PURCELL. And the price of sugar has been affected by this processing fee, or whatever you call it, that has been in effect all of these years?

Mr. CREED. Yes, that is right.

Mr. PURCELL. And you have never raised your voice one time trying to get the public stirred up against that, have you?

Mr. CREED. We have not made a concerted campaign to do that. We have testified before this committee at every opportunity on the Sugar Act and have called attention to our dislike of the processing tax.

Mr. PURCELL. Do you think that you might find work for these people that you have now working to keep the campaign going? [Laughter.]

Mr. CREED. I, certainly, think the suggestion is worthy of consideration, Mr. Purcell.

Mr. PURCELL. Well, I might warn the sugar people that if you do they had better look out. [Laughter.]

That is all.

The CHAIRMAN. I want to put in the record these figures with reference to the testimony by Mr. Jack Lynn. We have made over \$500 million on the sugar program—the amount by which the tax collections have exceeded the obligations in the life of the program which figures \$541,557,733.

Mr. POAGE. I wonder if we could have a little assurance from your folks on an amendment—and I understand that most everybody is ready to vote for an amendment which would provide that the taxpayers will pay for the increased income that will be given to the wheat producers and that none of this will be passed on to the millers. Do you understand that amendment, do you?

Mr. CREED. I do.

Mr. POAGE. Do you agree that when the taxpayers pay this 50 cents rather than the millers, that the miller ought not to be paid anything extra?

Mr. CREED. Only to the extent that it is reflected in taxes.

Mr. POAGE. Yes, only to the extent that it is reflected in taxes. Everybody else pays that. So now I wonder if you could give us some assurance that—if we adopt such an amendment that the millers or the bakers or the truckdrivers or the grocerymen and the rest of them—that they will not come back and tell us that now that the farmer is making something they are going to raise the price of bread? Are you going to raise the price of bread whether we pass this amendment or not?

Mr. CREED. Mr. Poage, I think that I have testified in the past that we want the farmers to be prosperous. We have certainly every reason——

Mr. POAGE. We will take care of the farmer through the taxpayers. What I want to know is about the price of bread. I am going to try to take care of the farmers. We won't ask you to do that. But we need some assurance from you about these bread people. You led the public to believe that the farmers would get an unfair price out of the public some way—that farmers are going to take bread out of the mouths of the babes, and naturally I want to know if you will do that anyhow. Are you going to raise the price of bread whether we absorb this cost or not?

Mr. CREED. Mr. Poage, even though we are on different sides of this question——

The CHAIRMAN. Let me ask you the straight question.

Mr. CREED. I am sure that you do not want me to be indicted by the Department of Justice for assuming an authority or a power that I do not have to control the price of bread. I think that Congressman Quie answered the question very ably on the floor when he indicated that there were going to be all kinds of costs in the manufacture of the products, as there are in other products and if a company needs to make an adjustment, even if it is up, it is up to that company to make that decision—no individual can give any kind of pledge along that line, Mr. Poage.

Mr. POAGE. Now, Mr. Creed, you did not have any reluctance—you did not fear any retaliation on the part of the Department of Justice when you predicted what would happen to the cost of bread if we did not pass this amendment. I do not, therefore, see why or how you are laying yourself liable to any prosecution if you tell us what will happen if we do pass the amendment. You told us what would happen if we passed the bill as it was reported by the committee. You had no reluctance to speak with assurance about how the price of bread would go up. I think that to hide behind the antitrust law when we ask you a question about what will happen to the price of bread if we approve this amendment is a little out of character after you have already been so free in your predictions.

Mr. CREED. I am not hiding behind any law, Mr. Poage. I am saying that when we came up here we explained to you the economic facts of life—what the impact of what a 60-cent increase in a bushel of wheat would mean.

Mr. POAGE. And you predicted particularly an increase in the price of bread.

Mr. CREED. We did not predict it as such, except to point out that with this cost added on you could very reasonably anticipate that the manufacturer, the baker of bread and other products, would have to pass those added costs on to the consumer. We have tried to warn you to that effect, but that is what would happen so that you could have the benefits of the knowledge that we have of the marketplace.

Mr. POAGE. Then you are going to say that you are going to raise the price of bread, anyhow?

Mr. CREED. We did not say that.

Mr. POAGE. Well, let me say it then—I think that you are going to raise it. I am saying now that you will raise the price of bread any-

how. You probably don't even want this amendment because it will make it mighty hard for you to justify that increase in bread prices.

Now, then, I want to know whom you are going to make the scapegoat for that increase—whom are you going to charge with the responsibility of that?

Mr. CREED. I do not think that we will make any scapegoat.

Mr. POAGE. You charged the farmer with the responsibility under this other proposal. You put the finger on the farmer. You have not bothered about explaining that for the last 15 years you have raised the price of bread every year, have you?

Mr. CREED. We did not put the finger on the farmer.

Mr. POAGE. Oh, yes, you put the finger on the farmer. I want to know who you are going to say is responsible since the Government is going to pay this—since the taxpayers are going to pay this increased income to the farmers—who will you blame for the increase in the price of bread this fall?

Mr. CREED. Well, I just pointed out, Mr. Poage, that there are many elements of cost that enter into the price of a loaf of bread or any other product that is sold to the consumers.

Mr. POAGE. This is like in the sugar bill.

Mr. CREED. That is correct—this is one of them.

Mr. POAGE. But you are for that. You came here for that.

Mr. CREED. We are recognizing it as the best solution to a very difficult situation.

Mr. POAGE. The only time that you have ever found it necessary to suggest that an increase in costs would cause any injury to the consumer was when the action was given some benefit to the wheat farmers.

Mr. CREED. That is not the only time, Mr. Poage. We pointed out the immensity of an increase that would result from the program that was proposed in increasing the certificate cost by 50 cents a bushel over what it now is. It was the immensity of that increase.

The CHAIRMAN. Do you know what caused that to increase the price of bread in Raleigh, N.C., 2 cents a loaf?

Mr. CREED. I have no knowledge of that, Mr. Cooley.

The CHAIRMAN. All right.

Mr. POAGE. One more question. Would you just explain why, when the price of wheat drops 50 cents—and it did drop 50 cents between 1948 and 1964—would you explain why there was no decline whatever in the price of bread? And you say wheat is a big factor in bread.

Mr. CREED. Again, the price of wheat is not an entire determining factor. In that period of years, when the price of wheat had been so high following World War II, when we were shipping all of our wheat to Europe and in this country we were using 80 percent of extraction flour, the price of wheat did go to its highest level in history. Since that time it has come down.

But meanwhile, the costs of every other ingredient or cost factor that goes into the manufacture of a product increased and, certainly, more than offset that decline. That is the answer to why the cost of bread over the years has gone up consistently, even though the price of wheat has either declined or remained relatively at one level.

Mr. BELCHER. I just want to say, in view of the fact that we have wasted 20 minutes on the wheat bill, to warn some of my colleagues

here that, probably, this is the only organization in America that has won a victory over the Johnson administration since it was sworn in. I would just like to know if they are going to wander afield here if you could tell me and tell all of us, the public, how it is possible to win a victory over the Johnson administration. You won a victory over the taxpayers, too—not only over the Johnson administration. I would like to see you outside and have you tell me just how you made this majority side of this committee, to backtrack and the Secretary of Agriculture to backtrack.

The CHAIRMAN. The Chairman did not backtrack. [Laughter.]

Mr. QUIE. I think that we ought to keep this thing in context. The processors tax has been on sugar and there is no increase in the processing tax in this bill. I understand that Mr. Creed is on record in opposition to that processing tax, but that he would go along with this bill. The same thing is true in wheat. There is a 75-cent processing tax there. My amendment did not propose to get rid of that. It was to get rid of the 50-cent increase. They do not like the processing tax on wheat. I, for one, would like to see that removed, but there was no effort made to do that. It was only to prevent the increase of 50 cents.

I think we ought to keep this in context, rather than trying to compare the 50 cents with the processing tax on sugar. I think you can only compare the remaining 75 cents processing tax on wheat with the one-half-cent tax on sugar.

Mr. PURCELL. Will you yield?

Mr. QUIE. I will.

Mr. PURCELL. I would like to ask Mr. Creed a specific question. There will be an amendment offered this afternoon that will try to remove the 75-cent certificate. It will be offered by the same people who were so interested in not letting the farmer get an additional 50 cents for his wheat in the marketplace. They are just as inclined, apparently, to try now to take off the 75-cent certificate. Is your organization going to continue to make an effort to take off the 75-cent certificate, or are you going to do what I think you said you would do?

Mr. CREED. Mr. Purcell, I think that in view of what Mr. Belcher said where we have been able to be of some service in developing a consensus on one amendment that we do not want to overreach. And even though we do not like the entire certificate concept, I do not think that we will try to go that far.

Mr. PURCELL. Have you done anything to let these city Congressmen know that you are for the bill as it was passed with the 50 cents coming out of the taxpayers' pockets?

Mr. CREED. Before he answers that question—and since I have time, let me say that the Congress has already removed what you would or could call a processing tax—last year we gave a subsidy to the cotton mills so as to have one-price cotton and to reduce the price of cotton. It did not reduce the price. This year we are, also, removing the excise tax on automobiles, jewels, and so forth. Again this is the Congress. I do not blame it on the farmers. Blame it on the Congress. I would say that it would be perfectly justifiable to have one-price wheat, if we have one price for cotton.

The CHAIRMAN. We have one more witness scheduled.

Mr. PURCELL. I think that he can say "Yes" or "No" in three sentences. Are you now supporting the bill or are you still fighting it?

Mr. CREED. We are supporting the bill with the Cooley-Quie amendment that will be offered this afternoon.

Mr. PURCELL. Have you done anything affirmatively to support that or are you just giving a point in favor of it here?

Mr. CREED. We have done nothing further. We have had our hands full just arriving at this point. [Laughter.]

Mr. PURCELL. All right.

Mr. TEAGUE. You will not need much help, but I will offer a little, anyway. If you have your way as a preference you would increase imports and then you could get cheaper sugar and you could reduce the price of bread, could you not? You do not need to answer that, but I just suggested that.

The CHAIRMAN. Thank you very much, Mr. Creed.

Mr. CREED. Thank you, Mr. Chairman.

The CHAIRMAN. I want to put into the record without objection a statement by Congressman Langen of Minnesota and a statement by Reuben Johnson of the National Farmers' Union, and a telegram from Hon. William H. Avery, Governor of Kansas. They will be made a part of the record at this point.

(The prepared statements and telegram follow:)

STATEMENT OF HON. ODIN LANGEN, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF MINNESOTA

Mr. Chairman and members of the committee, it is indeed a privilege to have this opportunity to express my views on possible sugar legislation. The distinguished chairman is to be commended for his wisdom in scheduling these hearings in spite of the failure of the Department of Agriculture to submit the administration recommendations when they are needed.

Because of the tardiness of the Department, it is impossible to even comment on the recommendations that are only at this moment being analyzed. It is obvious that the Department is only now showing any interest at all in new sugar legislation because the chairman of the Agriculture Committee decided, wisely, to go ahead regardless of action by the Department.

This is not, of course, the first time that the Department of Agriculture has been negligent in formulating recommendations relative to sugar legislation and policy. And such lack of timely action in no way lessens the crying need for legislation at this time. In fact, even with the last-minute administration recommendations, it is obvious that the Congress must take the initiative if chaos in the sugar industry is to be averted.

The lack of concern shown the American sugar industry is difficult to understand. Mr. Chairman, when we consider that the domestic industry represents a prime example of how our agricultural economy can be stabilized and improved through the production of a profitable crop that keeps other surplus crops out of production. We certainly recognize the plight of American agriculture in relation to the rest of the economy, and it is unforgivable for the Department of Agriculture to further aggravate the scene by failing to adequately support the domestic sugar industry with its many growers of both beets and cane.

We're all familiar with the magnificent job that has been done by our domestic sugar producers, who have always responded with dispatch in time of need. Their wartime record was most commendable. The latest example of their quick response to the needs of the Nation occurred in 1963 and 1964 when the executive branch of our Government urged the domestic industry to produce all of the sugar it possibly could in order to alleviate the then existing sugar shortage to return sugar prices to normal levels. These producers indeed responded, but Congress failed to give thanks for their efforts. It is that oversight that resulted in the problem being faced by the industry today.

It now becomes the responsibility of the Department of Agriculture and of this Congress to show our good faith in the domestic sugar industry by enacting

legislation that gives them a fair share of this Nation's sugar consumption. As it now stands, there is an inventory of 2,740,000 tons, but the beet quota is only 2,650,000 tons. These growers and producers must be given the opportunity of disposing of these tons, which were produced at the urging of this Government.

Our old beetgrowers took a 6-percent cut in acreage this year, reluctantly, of course, but voluntarily to help stabilize supplies. Now they're faced with a similar cut unless we act with dispatch and with realism.

A number of us have introduced legislation to relieve the current situation. This legislation was introduced, not because we consider it the final answer to the problem, but because we felt we should have at least a minimum request before the Congress for consideration. I personally would like to see a bill reported that goes even further than the joint resolution offered by myself and a number of colleagues. I have long felt that the domestic producer was entitled to a larger share of the national sugar consumption. Instead of acreage cuts, we should be talking of expansion for our old growers and new opportunities for other farmers who should be allowed to raise this cash crop. It is hoped that they will be given more than usual consideration when this lucrative pie is cut for distribution.

While I realize the importance of obtaining a portion of our sugar supply from friendly nations who rely on such sales for their livelihood, it has been shown in the past the folly of relying too heavily on such markets. Instead of having to call upon the domestic industry to fill the gap when the international supply fails, we should place greater emphasis on the domestic supply in the first place so that we have a stable, steady supply of sugar readily available for all emergencies at a reasonable price to the consumer.

In this respect, it seems advisable to reinstate the proposed import fees. Not only would this be of benefit in furthering the interests of our domestic producers, but it would net the treasury many millions of dollars annually. These foreign producers already enjoy artificially high prices, and the import fee would not impose any undue hardships on these suppliers.

Mr. Chairman, we must open the door to our domestic producers and accept them as full partners. They must have the authority to market the sugar they have already produced and they must have the opportunity to grow with the rest of our economy. I respectfully urge the Committee on Agriculture to report a bill that accomplishes these worthy objectives.

STATEMENT OF REUBEN JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, I am Reuben Johnson, director of legislative services, National Farmers Union, 1012 14th Street, Washington, D.C.

The Farmers Union, as you know, has a long and I feel distinguished record of supporting legislation which we believe is both in the interest of the American farmer and in the interest of the Nation. Our support of the current sugar bill is in keeping with this record.

We are particularly interested, of course, in the effect of this measure on U.S. farmers and especially farmers who are now engaged in the production of sugarbeets and sugarcane.

We remember that some two and a half years ago, when the world was short of sugar, and prices here in the United States were soaring to 40-year records, the Government, in its wisdom, turned to these American sugar farmers and asked for greater production. The response was immediate and tremendous. The immediate gains in production were a large factor in bringing the supply and price situation under control.

The increase in production, while of untold benefit to the Nation's consumers, created certain problems for agriculture, and for the agriculturally oriented processing companies of the domestic sugar industry.

For example, in order to increase production in response to the national need, sugarbeet farmers expanded their acreage and invested in more of the machinery which is specially designed for use in sugarbeet fields. The processing companies invested in expansion of their own facilities. And so, after the emergency had been met, and the sugar markets returned to normal, the domestic sugarbeet industry found itself at a production level—and with production capacity—much greater than the industry is permitted to market under the present law.

Moreover, at the first of this year both the beet sugar industry and the mainland cane industries had inventories substantially larger than they could market this year under the present law.

Now, everyone connected with agriculture knows that it is not pleasant to impose acreage reductions nor is it pleasant to have to take the cuts. Yet it was plain the sugarbeet producers could not continue to pile up production more than quota. The problem was to develop a way to dispose of the extra sugar already produced, and to return the industry's production to fit the industry's quota in the present quota pattern of the law.

The sugarbeet and mainland cane farmers took the first step themselves, when they asked the Department of Agriculture to impose acreage restrictions, to impose acreage reduction, on the industry this year. You will recall that previously the Department of Agriculture had announced there would be no restrictions on sugarbeet planting. This voluntary acceptance of an acreage reduction was, it seems to me, a great demonstration of responsibility toward helping the sugar program to continue to work effectively.

The second step toward a solution of the problem was taken when representatives of the entire domestic sugar industry developed, and recommended to the administration and the Congress, the domestic quota program which is part of the bill before you. The proposed increase in quotas for the domestic beet sugar producers and the mainland cane sugar producers will permit the gradual marketing of the extra production now on hand, in an orderly way, without disrupting markets, while further production adjustments are being made. At the same time, the quota pattern in the present law will not be permanently changed. The new quotas represent an increase of 375,000 tons for beet producers and 205,000 for cane producers.

It seems to us, Mr. Chairman and members of the committee, that in view of all the circumstances this is an eminently wise and satisfactory solution to the problem. The Farmers Union recognizes that sugar is a special situation, and the sugar program has worked so well over the years because the Congress—with industry cooperation—has successfully balanced the various interest involved.

I know there are some who would be happier if American farmers could produce a much larger share of our sugar needs, and there are a good many who sympathize strongly with that point of view. It is only natural that it would seem to many persons that with the sharp curtailment of acreage in surplus crops, it would be in the national interest to use some of the idle acres for producing more of a crop which is not in surplus. There is broad sympathy, I know, for the idea that the American farmers should produce more of the sugar required by the American consumer, and strong arguments can be marshalled for that point of view.

Yet we must be realistic—and recognize that change must be gradual and what may be desirable from one point of view is not always attainable at a given point in history. When the Sugar Act was first adopted in the 1930's, domestic producers had about 27 percent of the domestic market; now the proportion is in the area of 60 percent and a substantial increase is proposed.

In the light of the overall situation, Farmers Union believes H.R. 10496 deserves the approval of this committee and the Congress.

TOPEKA, KANS., August 17, 1965.

HON. HAROLD D. COOLEY,
Chairman, House Agriculture Committee,
House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE COOLEY: Sugarbeet production in Kansas has and will continue to be a crop of significant importance to the Kansas economy and I strongly urge that every consideration be given to the position of the Kansas Sugarbeet Growers Association, a position I heartily support, which favors the expansion of the industry to permit domestic growers the increased acreage allotments to satisfy domestic consumption.

WM. H. AVERY,
Governor of Kansas.

The CHAIRMAN. I now recognize Mr. Harvey of Indiana.

Mr. HARVEY of Indiana. I am glad to introduce a fellow Hoosier, although he is not from my district, Mr. Bleke, of Fort Wayne. He is here on behalf of the National Confectioners Association. He, himself, is executive vice president of the Wayne Candies of Fort Wayne. Mr. Bleke.

The CHAIRMAN. We are very glad to have you here.

STATEMENT OF JOHN H. BLEKE ON BEHALF OF THE NATIONAL CONFECTIONERS ASSOCIATION

Mr. BLEKE. Thank you very much, Mr. Chairman and Congressman Harvey. I have a prepared statement that has been distributed to the committee. I would like permission, if you will, sir, to summarize the statement in the time that you have remaining this morning.

The CHAIRMAN. You may do so.

Mr. BLEKE. My name is John H. Bleke. As has been mentioned before, I am executive vice president and manager of Wayne Candies, Fort Wayne, Ind.

I would like to suggest something that is very important to us. We would like to make reference to section 206 of the current Sugar Act which authorized under certain conditions the imposition of import quotas on sugar-containing products in order to prevent a defeating of the purposes of the Sugar Act. The language of this section of the current act is ambiguous. We are pleased that improved language is now being recommended by the administration.

Imported confectionery and chocolate have been a serious problem for the candy industry for many years. Each year the quantity imported has increased. Imports of confectionery and sweetened chocolate in 1948 totaled 4,121,000 pounds, in 1952 were 17,384,000 pounds, in 1956 totaled 37,621,438 pounds, in 1960 imports had increased to 59,554,765 pounds, and by 1962 had further increased to 76,438,522 pounds. In 1963 a further increase was registered to 92,852,000 pounds and for 1964 imports totaled 106,799,000 pounds. Any American industry should have no right to object to fair competition, but this does not represent fair competition. When the policy of our Government results in our having to now pay more than three times as much for sugar as it may be purchased for by our foreign competitors when they are buying sugar for manufacture into confectionery for shipment into the United States, we contend that this represents unfair competition and a defeating of the purposes of the Sugar Act.

Our foreign competitors may now acquire raw sugar at approximately 1.75 cents per pound. And this is substantiated by the prices quoted in the testimony this morning. Our domestic spot raw price now is 6.75 cents per pound. Fortunately, the spread is not always this great. To eliminate this unfair competition, we seek special import restrictions, and this is to request the committee report let it be known clearly that it intends for the provisions of the section authorizing restrictions on sugar-containing products to be implemented to prevent unfair competition of the nature now confronting the candy industry rather than to have the section continue as mere words without any application.

We would like to present to you a recommendation which has been developed by our industry after long and careful study. We feel that it will help to assure to the consumer an actual supply of sugar. We have approved it from the standpoint of critical analysis. It has been discussed with officials of the Agriculture and State Departments as well as the various segments of the domestic industry. Admittedly, it has not been embraced by any of them, although keen interest and strong sympathy have been indicated by some.

The Sugar Act is designed to provide fair prices to producers and adequate supplies at fair prices to consumers. It has succeeded fully in assuring those selling in the United States of a fair price to producers. Very beneficial language is written into the Sugar Act for domestic cane and beet producers, beet processors, cane refiners, and the foreign sources which sell their sugar in the U.S. market. Language is also written into the act for the benefit of consumers. The difference is that the language designed to help every segment of the industry is effective in accomplishing its objective except the language intended to benefit the consumer. In substance, the Sugar Act benefits producers as long as the world price is below the price objective of the Sugar Act. When the world price rises above the price objective of the Sugar Act, that is when the act should become effective for consumers, but that is where the act fails.

Currently, the world sugar market is at a very low level and producers are well protected, but it can and does fluctuate highly, and when the world price rises above the price objective of the Sugar Act, the real squeeze is on consumers. In this connection we have a proposal.

Our plan is to authorize our Government to acquire up to 500,000 tons of raw sugar on the world market when it may be acquired at a price at least 3 cents per pound below the price objective of the Sugar Act. Such sugar would be held and could be released only when the U.S. price should rise above the price objective of the Sugar Act. Now what are the advantages of this plan?

Most of the underdeveloped countries of the world produce sugar, and its export is important to their economies. When the world price is low, they are particularly in search of markets and in need of dollars. Our purchases at such times would be helpful to them.

It would in no way injure, threaten, or cause disruption to the marketing of sugar from our normal sources of supply. It is believed that some have questioned this proposal because of a fear of having sugar hanging over the market. Such a fear is unfounded because under the proposal the sugar could be released only when the U.S. price should rise to a level of one-quarter cent above the price objective of the Sugar Act. If, for example, there was sugar in the stockpile and the spot raw price were only slightly below the price objective of the Sugar Act, then the stockpile sugar still could not be released. The stockpile sugar could enter the market only if there were a genuine shortage of the U.S. supply evidenced by the domestic spot raw price rising above the price objective of the Sugar Act.

We further believe that it might not cost the Government anything to hold this sugar. At present, admittedly, the world sugar price is at a very low level and possibly it would rise if the United States were to, even gradually, buy 500,000 tons for stockpiling. It is suggested, however, that at even 3, 4, or almost 5 cents per pound the Government

could afford to pay inbound freight, storage, and domestic cartage costs and still not cost the Government money so long as the sugar was sold above the price objective of the Sugar Act within a reasonable time. We acknowledge that the word "stockpile" is causing unfavorable reaction by many because of the unsatisfactory experience of stockpiling U.S.-produced farm commodities.

However, we respectfully submit that the circumstances involving sugar are entirely different from those involving other farm commodities and that whereas the results have been unfavorable in the case of these farm commodities, just the opposite would be true in the case of sugar because of the facts involved.

Now recognizing that the world price for sugar is highly volatile, probably there would be times when the Government would make money and other times when it would lose money on the stockpile. Over the long pull it should not cost the Government very much, if anything. If it should, however, cost the Government some money, it seems that since the consumers of this country most of the time must pay much more than the world market price for sugar (currently more than three times the world market price) and recognizing the Federal payments which are expended under the Sugar Act for the benefit of other segments of the industry, it seems to us that this is a very modest proposal in behalf of consumers.

We do not believe that storage would be a problem. It has been suggested that raw sugar will harden after an extended period of storage. However, this should not present a problem because if after the sugar acquired for the stockpile were held for a period of months, it then could be delivered to refiners and replaced on a pound-for-pound basis by sugar which otherwise would have been delivered to refiners. This procedure could be repeated several times if necessary.

We further believe that 500,000 tons should provide helpful protection for consumers. As is well known, a genuine shortage of sugar of just a few hundred thousand tons will cause an unfortunate dislocation in the market. We believe a stockpile reserve of 500,000 tons would carry us through most sugar supply shortage problems.

When the world price increases above the price objective of our own Sugar Act, as the committee well knows, psychological effects take place. The speculators enter the market and the price rises all out of proportion to the shortage. The effects on the market because of a slight shortage are well known. At the same time, if it were known that there were 500,000 tons of sugar in the Government-held stockpile which could not be touched until a spot raw price of about 7 cents per pound were reached but that at that price it then would be released, there would be no interference with regular operations but it would serve to prevent panic and speculation. Had this been in effect in 1963 it might have prevented a most unfortunate sugar price-supply problem.

It is recognized that it is proposed that the foreign sources of supply, which are to be allotted the country quotas be required to maintain a reserve for the U.S. market. Certainly this should be valuable, to which our proposal should serve as a backstop, but it is not the same having sugar on foreign soil in the hands of a government whose future is not certain with impediments to transportation which may

be caused by warlike activities and also dock strikes at our own ports of entry, as it is in having the sugar under U.S. control on our soil.

The current Sugar Act presents a planned economy in sugar whereby growers, processors, and foreign suppliers all are protected. In equity consumers also should be protected and particularly so since the proposal we advocate would help the underdeveloped countries, would not impede regular marketing operations and might not cost the Government anything.

We appreciate very much the opportunity to present these proposals to you, Mr. Chairman. We appreciate your consideration.

The CHAIRMAN. Thank you very much. Your entire statement will be made a part of the record at this point.

(The prepared statement of John H. Bleke follows:)

STATEMENT OF JOHN H. BLEKE, IN BEHALF OF THE NATIONAL CONFECTIONERS ASSOCIATION

Mr. Chairman, my name is John H. Bleke. I am executive vice president and manager of Wayne Candies, Fort Wayne, Ind., and I appear as a member of the Washington Committee of the National Confectioners Association, which is the national trade association of candy manufacturers and suppliers of goods and services to the industry. Our manufacturer members produce approximately 85 percent of the candy manufactured in the United States.

SOURCE OF U.S. SUGAR SUPPLY

Different circumstances involving a particular matter require different handling. All the circumstances involving sugar some years ago were so different from the circumstances prevailing today, as well as those possibly occurring in the future, to require a different approach and handling of the sugar problem than was practiced some years ago. We all recall when Cuba supplied 96 percent of all the sugar we obtained from foreign sources other than the Philippines. Our mainland beet and cane producers provided the smallest part of our supplies. When we needed extra sugar on short notice, an increase in the consumption estimate would bring supplies into the United States from Cuba's almost inexhaustible reserve within a few days. Cuba is no longer with us as a sugar supplier, and as much as we would like otherwise, we think everyone will acknowledge that there is not a single source of foreign offshore supply which may be depended upon absolutely.

In making this statement, we have in mind possible dock strikes, Communist takeovers of producing countries, outbreak of hostilities in a particular producing area, or widespread hostility, which would affect shipping lanes in general. Therefore, while there was a basis for the U.S. sugar policy of some years ago when we acquired much of our sugar supplies from foreign sources, we recognize the changing circumstances and approve of the change in the U.S. sugar policy which has resulted in our acquiring an increasing portion of our sugar requirements from domestic producing sources. We urge that this policy be continued.

Sugar is such a vital commodity to both industrial America and also for home consumption that every effort should be made to assure the availability of a continuous adequate supply. We know that the various segments of the industry worked long and hard over a period of many months to develop an agreement which the administrative branch of the Government largely supports; and, therefore, we think it should be favorably considered by the committee.

FOREIGN COUNTRY QUOTAS RATHER THAN A GLOBAL QUOTA

Secondly, we feel as most others seem to feel that we should obtain what sugar we do acquire from foreign sources on an individual country quota basis rather than a global quota basis so that our foreign supplies will have definite sources of responsibility rather than being the responsibility of no country.

STOCKPILE RESERVE

Thirdly, we would like to present to you a recommendation which has been developed by our industry after long and careful study. We have approved it from the standpoint of critical analysis. It has been discussed with officials of the Agricultural and State Departments as well as the various segments of the domestic industry. Admittedly, it has not been embraced by any of them, although keen interest and strong sympathy have been indicated by some.

The Sugar Act is designed to provide fair prices to producers and adequate supplies at fair prices to consumers. It has succeeded fully in assuring those selling in the United States of a fair price to producers. Very beneficial language is written into the Sugar Act for domestic cane and beet producers, beet processors, cane refiners, and the foreign sources which sell their sugar in the U.S. market. Language is also written into the act for the benefit of consumers. The difference is that the language designed to help every segment of the industry is effective in accomplishing its objective except the language intended to benefit the consumer. In substance, the Sugar Act benefits producers as long as the world price is below the price objective of the Sugar Act. When the world price rises above the price objective of the Sugar Act, that is when the act should become effective for consumers, but that is when the act fails.

Currently, the world sugar market is at a very low level and producers are well protected, but it can and does fluctuate highly, and when the world price rises above the price objective of the Sugar Act, the real squeeze is on consumers. In this connection we have a proposal.

Our plan is to authorize our Government to acquire up to 500,000 tons of raw sugar on the world market when it may be acquired at a price at least 3 cents per pound below the price objective of the Sugar Act. Such sugar would be held and could be released only when the U.S. price should rise above the price objective of the Sugar Act. Now, what are the advantages of this plan?

1. Most of the underdeveloped countries of the world produce sugar, and its export is important to their economies. When the world price is low, they are particularly in search of markets and in need of dollars. Our purchases at such times would be helpful to them.

2. It would in no way injure, threaten, or cause disruption to the marketing of sugar from our normal sources of supply. It is believed that some have questioned this proposal because of a fear of having sugar hanging over the market. Such a fear is unfounded because under the proposal the sugar could be released only when the U.S. price should rise to a level of one-quarter cent above the price objective of the Sugar Act. If, for example, there were sugar in the stockpile and the spot raw price were only slightly below the price objective of the Sugar Act, then the stockpile sugar still could not be released. The stockpile sugar could enter the market only if there were a genuine shortage of U.S. supply evidenced by the domestic spot raw price rising above the price objective of the Sugar Act.

3. It might not cost the Government anything. At present, admittedly, the world sugar price is at a very low level and possibly it would rise if the United States were to even gradually buy 500,000 tons for stockpiling. It is suggested however, that at even 3, 4, or almost 5 cents per pound the Government could afford to pay inbound freight, storage, and domestic cartage cost and still not cost the Government money so long as the sugar were sold above the price objective of the Sugar Act within a reasonable time. We acknowledge that the word "stockpile" is causing unfavorable reaction by many because of the unsatisfactory experience of stockpiling U.S. produced farm commodities. However, we respectfully submit that the circumstances involving sugar are entirely different from those involving other farm commodities and that whereas the results have been unfavorable in the case of these farm commodities, just the opposite would be true in the case of sugar because of the facts involved.

Let us apply some practical dollar arithmetic to this proposal. If our Government should acquire 500,000 tons of sugar under this proposal then this sugar when sold by the Government would be sold for approximately \$70 million which would reflect a price of a quarter of a cent per pound above the price objective of the Sugar Act. Now, what would this sugar cost us which ultimately would be disposed of for \$70 million? If this proposal were contained in the Sugar Act as it exists today we should then be able to buy the sugar at 2 cents per pound or \$40 per ton or \$20 million for the 500,000 tons. Ocean freight at one and a half cents per pound would cost approximately \$15 million, making our

total landed cost, assuming there would be no import duty, \$35 million. Carrying and storage costs admittedly would be substantial and estimated at 1.75 cents per pound, \$35 per ton, or \$17,500,000 per year for the 500,000 tons. Thus if the Government acquired this sugar under these circumstances, held it for a year and sold it for \$70 million, there would be a profit to the Government of approximately \$17,500,000. It could be held for up to 2 full years without any loss to the Government. If the Government should have to pay 3 cents per pound on the world market, it could still be carried more than a year without loss to the Government.

Recognizing that the world price for sugar is highly volatile, probably there would be times when the Government would make money and other times when it would lose money. Over the long pull it should not cost the Government very much, if anything. If it should, however, cost the Government some money, it seems that since the consumers of this country most of the time must pay much more than the world market price for sugar (currently more than three times the world market price) and recognizing the Federal payments which are expended under the Sugar Act for the benefit of other segments of the industry, it seems to us that this is a very modest proposal in behalf of consumers.

4. Storage should not be a problem. It has been suggested that raw sugar will harden after an extended period of storage. However, this should not present a problem because if after the sugar acquired for the stockpile were held for a period of months, it then could be delivered to refiners and replaced on a pound-for-pound basis by sugar which otherwise would have been delivered to refiners. This procedure could be repeated several times if necessary.

5. Five hundred thousand tons should provide helpful protection for consumers. As is well known, a genuine shortage of sugar of just a few hundred thousand tons will cause unfortunate dislocations in the market. We believe a stockpile reserve of 500,000 tons would carry us through most sugar supply shortage problems.

When the world price increases above the price objective of our own Sugar Act, as the committee well knows, psychological effects take place. The speculators enter the market and the price rises all out of proportion to the shortage. The effects on the market because of a slight shortage are well known. At the same time, if it were known that there were 500,000 tons of sugar in the Government-held stockpile which could not be touched until a spot raw price of about 7 cents per pound were reached but that at that price it then would be released, there would be no interference with regular operations, but it would serve to prevent panic and speculation. Had this been in effect in 1963 it might have prevented a most unfortunate sugar price supply problem.

WHY A SUGAR STOCKPILE WOULD BE DESIRABLE WHILE THE STOCKPILING OF OTHER FARM COMMODITIES HAS NOT BEEN SUCCESSFUL

The United States has had most unfortunate experiences stockpiling wheat, corn, cotton, and many other commodities. The United States is fully self-sufficient and then some in the production of these commodities. We have more than we need. Because of our price support policy, the U.S. price is higher than the world price, just as in the case of sugar but there the similarity ends. After the United States acquires its stockpile of corn, wheat, cotton, and other commodities at a high U.S. supported and protected price and then wishes to dispose of such surpluses, it must be sold at a lower world price for export. In the case of sugar we are proposing that the United States buy on the world market only when the world market price is depressed and sell only in the U.S. market at a higher price when the U.S. price is above the price objective of the Sugar Act. Restated, in the case of most farm commodities the United States buys in the U.S. market at the high U.S. price and then sells on the world market at the low world market price. In the case of sugar, under our proposal the United States would buy on the world market at the low world market price and then sell on the U.S. market at the high U.S. price.

Whereas the situation pertaining to sugar regarding stockpiling is far different from the circumstances pertaining to other U.S. produced farm commodities concerning stockpiling, it is very similar to the situation concerning certain metals regarding stockpiling. As in the case of sugar, the United States is not self-sufficient regarding the production of many metals. Some years ago for defense purposes the United States acquired stockpiles of various metals. In the last 2 to 3 years consumption of certain of these metals has exceeded produc-

tion, and if it were not for these Government-held stockpiles of lead, zinc, copper, and other metals, now determined to be in excess of defense needs, a quantity of each of which by acts of Congress have been released for industrial usage, very critical situations would have occurred in this country because of a shortage of these metals.

Sugar consumers need the protection of a stockpile reserve. To think that we will not again have a situation which will force the world market price above the domestic Sugar Act price objective is not reasonable thinking. Undoubtedly, it will occur again. Mr. John Crowe, vice president and general manager, Thurston Greene & Co., in an address delivered to the Food Industries' Buyers Group, National Association of Purchasing Agents, at their annual convention in New York on May 18 of this year stated as follows:

"I have devoted considerable time to the world market, because you in the audience are interested in prices, and it will take a long time to forget what the world market did to us in 1963 and 1964. You will have nothing of major concern before you hold another convention in the summer of 1966, unless the world raw price again rises above the U.S. raw price. To say this cannot happen in the next 12 months, as did our Assistant Secretary of Agriculture in a speech last week, is foolish talk. Don't watch the figures which list how much sugar the world will produce in a crop year and how much will be on hand on August 31, 1965. The thing that establishes world price levels is the residual supply, and this tends to contract when prices are too low and expand when prices are high. To put it simply, low prices drive out of the residual market, countries which cannot sell at less than the cost of production, as well as those countries which only come in once in a while to make a killing."

It is recognized that it is proposed that the foreign sources of supply, which are to be allotted the country quotas be required to maintain a reserve for the U.S. market. Certainly this should be valuable, to which our proposal should serve as a backstop, but it is not the same having sugar on foreign soil in the hands of a government whose future is not certain with impediments to transportation which may be caused by warlike activities and also dock strikes at our own ports of entry, as it is in having the sugar under U.S. control on our soil.

The current Sugar Act presents a planned economy in sugar whereby growers, processors, and foreign suppliers all are protected. In equity consumers also should be protected and particularly so since the proposal we advocate would help the underdeveloped countries, would not impede regular marketing operations and might not cost the Government anything.

IMPORT QUOTAS ON CONFECTIONERY AND POSSIBLY OTHER SUGAR-CONTAINING PRODUCTS TO PREVENT A DEFEATING OF THE PURPOSES OF THE SUGAR ACT

Lastly, we would like to make reference to section 206 of the current Sugar Act which authorizes under certain conditions the imposition of import quotas on sugar containing products in order to prevent a defeating of the purposes of the Sugar Act. The language of this section of the current act is ambiguous, and we are pleased that improved language is now being recommended by the administration.

Imported confectionery and chocolate have been a serious problem for the candy industry for many years. Each year the quantity imported has increased. Imports of confectionery and sweetened chocolate in 1948 totaled 4,121,000 pounds, in 1952 were 17,384,000 pounds, in 1956 totaled 37,621,438 pounds, in 1960 imports had increased to 59,554,765 pounds, and by 1962 had further increased to 76,438,522 pounds. In 1963 a further advance was registered to 92,852,000 pounds and for 1964 imports totaled 106,799,000 pounds. Any American industry should have no right to object to fair competition, but this does not represent fair competition. When the policy of our Government results in our having to now pay more than three times as much for sugar as it may be purchased for by our foreign competitors when they are buying sugar for manufacture into confectionery for shipment into the United States, we contend that this represents unfair competition and a defeating of the purposes of the Sugar Act. Our foreign competitors may now acquire raw sugar at approximately 2 cents per pound. Our own domestic spot raw price now is 6.75 cents per pound. Fortunately, the spread is not always this great. To eliminate this unfair competition, we seek special import restrictions and this is to request the committee in the committee report to let it be known clearly that it intends for the provisions of the section authorizing restrictions on sugar-containing products to be imple-

mented to prevent unfair competition of the nature now confronting the candy industry rather than to have the section continue as mere words without any application.

We urge your careful consideration of our recommendations.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Bleke, I am not sure that I understand your plan at all, but I would like to make one comment. Your concern for the consumer is very commendable, but I would like to point out for the record that over a 30-year period sugar has been one of the most stably priced commodities in the housewife's market basket of any commodity.

Mr. BLEKE. You are quite right; but on occasions such as in 1963 the price has gone to a very high level.

Mrs. MAY. And we consider this due partly because of the Sugar Act having worked so well.

Mr. BLEKE. We appreciate that.

Mrs. MAY. And this act does provide for extensive carryover by the processors.

Mr. BLEKE. Of course, but we are reflecting, Mrs. May, on the fact that if the sugar were held here in the United States, since the sugar price on the world market fluctuates considerably that the situation that occurred in 1963 when it went way out of proportion for the lack of a few hundred thousand tons of sugar could be avoided in the future.

Mrs. MAY. And it stabilized itself very quickly, and it was an unusual occurrence outside of wartime, would you not think?

Mr. BLEKE. We appreciate that, but it presented tremendous problems for sugar consumers.

Mrs. MAY. And it came to a stable price.

Mr. BLEKE. But by the same token it was a very dangerous situation in the life of a part of the food industry in the United States, and it had its effect on the consumers.

Mrs. MAY. And I would like to point out that the domestics and foreign growers did supply the sugar.

The CHAIRMAN. If you will permit my interrupting, are you aware of the fact that all of the producers have agreed to carry large inventories?

Mr. BLEKE. Yes, I am familiar with that.

The CHAIRMAN. Where does the foreign candy come from, from France and England?

Mr. BLEKE. From England, the Netherlands, and Germany which are basically the largest suppliers. Many other countries are getting into the supplying of candies to the United States.

The CHAIRMAN. It amounts to over 100 million pounds?

Mr. BLEKE. Yes, it does. The significant thing to us is the fact that it is growing so very, very rapidly.

You will remember that I quoted the figures that in 1948 it was a little over 4 million pounds and today it is well over 100 million pounds, and the rapidity with which it is increasing is very, very significant. I can quote you in 1964 the dollar value. We are talking about dollars leaving the United States. Well, \$34 million left the United States to pay for imported candies, and we were only able to export \$6 million worth of candies, a little over 15 million pounds,

and the reason that they are able to compete with us is that they are paying much less for the raw materials like sugar and lower labor costs, and this is a problem.

Further, we would like to say that if this problem gets to be worse, let us say that in a few years it is 200 million pounds, then it is more difficult to stop and it becomes a vested interest the foreign countries might want to protect.

We feel that if section 206 were implemented, this would control properly the seriousness of the problem.

The CHAIRMAN. Thank you very much.

We will now hear from our distinguished colleague, Mr. Tunney.

**STATEMENT OF HON. JOHN V. TUNNEY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. TUNNEY. Thank you very much, Mr. Chairman. I will file my statement. I, certainly, want to thank the chairman for giving me the opportunity to appear before this great committee and its distinguished chairman.

I am here today to ask that we have an amendment of the Sugar Act of 1948, as amended.

In 1962 the Congress, for the first time, included in the Sugar Act a provision which allowed new areas to be designated for the production of sugar from beets. This contributed to the growth and the expansion of the sugarbeet industry. But at the time the act was amended it did not provide for sugarcane. And it did not provide that sugarcane could be moved into new areas if there was an increased consumption of sugar and there was going to have to be an increase in the quota.

I come from an area that can grow sugarcane and grow it very well. And if there is an increase in consumption of sugar in the future and if there is a need to increase the quota of sugarcane we would like to be able to participate in that planting of sugarcane. And so it is for this reason that I ask the committee respectfully to amend the language in section 302, subsection (3) of the Sugar Act of 1948, as amended, to read:

That in order to make available acreage for growth and expansion of the beet and cane sugar industry—

et cetera. And this would allow for sugarcane to be moved into other States other than Louisiana and Florida.

We, certainly, do not want to take anything from them that they now have, but if there is future growth we would like to be able to participate in it.

(The prepared statement of Hon. John V. Tunney follows:)

**STATEMENT OF HON. JOHN V. TUNNEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF CALIFORNIA**

Mr. Chairman and members of the committee, I want to thank you for giving me the opportunity to appear before this great committee.

I feel fortunate to represent an area highly versatile in its productive capacity and populated by a people who are imaginative and filled with the enthusiasm required to farm in a harsh desert condition. These people made a barren desert bloom. They are a thinking and a restless people always searching for new ways to improve farming techniques and experimenting with the cultivation of new crops.

More than 12 years ago farmers associated with the Sugar Cane League of Imperial County, Calif., initiated their own research on the planting of sugarcane for the production of sugar.

The research advanced to the point that on April 10, 1963, this group presented a request to the Sugar Branch of the Department of Agriculture, in New Orleans, La., for proportionate shares of the national sugarcane quota.

The proposal was discussed but no action was taken because the Sugar Act of 1948, as amended, precluded the development of new cane areas.

In 1962, the Congress for the first time included in the Sugar Act a provision which allowed new areas to be designated for the production of sugar from beets. This contributed to the growth and expansion of the sugarbeet industry. However, no provision was made to extend the same privilege to the producers of cane sugar.

These proportionate shares of cane sugar are to this day reserved for two States, Florida and Louisiana.

There is a clause in the Sugar Act of 1948, as amended, which empowers the Secretary of Agriculture to increase the national sugar quota if there is an increase in consumption as a result of changes in population and consumer demand. The Sugar Act is somewhat inconsistent in its provisions. The Secretary of Agriculture can disburse an increase in the sugarbeet quota to new producing areas; he cannot, however, give any sugarcane quotas to new areas outside of the present mainland cane sugar producing States. There are only two States now allowed to produce cane sugar, Florida and Louisiana. I believe that it is only fair that as sugar consumption increases and as the quota for cane sugar increases that new areas be given an opportunity to share in this increase. The farmers of my district are hoping to share in a very small way in an increased cane sugar quota. They know that they cannot expect to receive more than 1 percent in any increased quota.

These facts are presented to you at this time because the sugarcane farmers in my area are aware of the fact that it may be 4 years or more before Congress again considers sugar legislation.

I respectfully urge the members of the committee to extend to the cane sugar industry the same privilege now being enjoyed by the beet sugar industry.

I respectfully ask that the language in section 302, subsection (b) (3), line 2, of the Sugar Act be amended to read: "In order to make available acreage for growth and expansion of the beet and cane sugar industry, etc." This will allow a fertile farming area the chance to produce a small amount of American sugar.

The CHAIRMAN. Thank you very much. I am sure the committee will give careful consideration to your suggestion.

Mr. TUNNEY. Thank you.

(The following letters were also submitted to the committee:)

MONITOR SUGAR,
Bay City, Mich., August 13, 1965.

HON. HAROLD COOLEY,
Chairman, House Agricultural Committee,
Washington, D.C.

DEAR MR. COOLEY: Rather than take up the time of your committee by presenting this matter orally at the hearings on sugar legislation now being conducted, we decided to write you setting forth our views.

We were a party to the industrywide agreement on sugar legislation reached March 24, 1965, which includes a suggested marketing quota for the beet sugar industry of 3,025,000 tons a year. We assumed that if this annual quota was established for the beet industry the Secretary of Agriculture would apportion it among the various companies on the basis of an equitable formula.

In the period since March 24, 1965, and again at these hearings, certain companies have requested that a provision be included in the legislation which would guarantee a minimum acreage and marketing quota for their plants. Monitor Sugar Division of Robert Gage Coal Co. in Bay City, Mich., is a single-plant independent beet sugar company.

We respectfully submit that, if other companies or plants, to an extent not covered by the acreage and marketing reserve provisions of the 1962 Sugar Act Amendments, are given a guaranteed minimum annual acreage and marketing allotment under the proposed 1965 sugar legislation, then Monitor Sugar Divi-

sion of Robert Gage Coal Co. should be given a comparable guaranteed minimum annual acreage and marketing allotment.

Please incorporate this letter in the hearing record.

Yours very truly,

CHAS. A. CORYELL, Jr., *President.*

MICHIGAN SUGAR CO.,
Saginaw, Mich., August 13, 1965.

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

DEAR MR. COOLEY: Michigan Sugar Co. operates four small to medium-sized beet sugar factories in the State of Michigan, located at Caro, Carrollton, Crosswell, and Sebewaing. Our purpose in presenting this statement is to point out the following facts:

The acreage to be allotted to our growers in the years to come, with an industry sales quota of 3,025,000 short tons raw value, will not be sufficient to produce 25,000 short tons raw value of sugar in any of our plants. However, since there appeared to be industry agreement in this area, we have been willing to accept this situation as a fact of life.

Inasmuch as several beet sugar processors have requested special consideration, we should like to state our position very clearly:

1. We oppose the making of exceptions for anyone, and
2. If exceptions are to be made, they should apply equally to the growers and individual plants of multiplant companies.

Attached is an exhibit showing the recent production of the four plants of Michigan Sugar Co. and also of two of the single-plant processors requesting special consideration. It will be noted that while in those years neither of the mentioned processors even approached 25,000 short tons raw value in production, Michigan's plants have exceeded this figure or closely approached it on several occasions. In effect then the requested special consideration would constitute an increase for those processors, while for Michigan and its growers it represents a reduction.

Sincerely,

ERNEST FLEGENHEIMER,
President and Treasurer.

Comparative sugar production, crop years 1960-64

[Short tons, raw value]

Crop year	Michigan Sugar Co.				Buckeye	National
	Caro	Crosswell	Carrollton	Sebewaing		
1960	19,291	8,024	23,708	¹ 30,914	14,156	14,490
1961	23,184	9,720	20,423	¹ 25,558	12,043	9,263
1962	20,690	13,007	22,963	¹ 28,016	15,483	15,004
1963	¹ 25,611	15,687	¹ 28,368	¹ 29,892	18,972	7,073
1964	¹ 29,939	20,351	¹ 26,775	¹ 28,292	18,755	7,854

¹ Years in which production exceeded 25,000 short tons, raw value.

The CHAIRMAN. The House bells have rung and we will recess now until tomorrow morning at 10 o'clock.

(Whereupon, at 12:05 p.m. the committee recessed to reconvene at 10 a.m. Friday, August 20, 1965.)

AMEND AND EXTEND THE SUGAR ACT OF 1948

FRIDAY, AUGUST 20, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:25 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (presiding), Gathings, McMillan, Abernethy, Jones of Missouri, Stubblefield, Purcell, O'Neal of Georgia, Stalbaum, de la Garza, Vigorito, Bandstra, Callan, Teague of California, Mrs. May, Dole, Walker of Mississippi, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. I know that we have some very prominent and distinguished visitors to appear before us. However, we will permit anyone who desires to do so to file his prepared statement for the record because we have a long list of witnesses to be heard today, and many of them have come long distances to testify.

After these hearings are over this committee will go into executive session. We will have before us the recommendations of the administration and the recommendations of the witnesses that we have heard and we will go over all statements that have been filed or read.

We have, as the leadoff witness, a very distinguished gentleman, a former Cabinet officer, a man who has been before this committee on many occasions and a gentleman who is held in high esteem by all of the members of the committee, Mr. Oscar Chapman. We have scheduled him as the first witness. Mr. Chapman, we will permit you to lead off. I regret that many of the members are not present here today. As I have said many times, this is one of the most involved and complicated bills that this committee has ever been called upon to consider. I remember that on one occasion I said on the floor of the House, to the 435 Members, that the measure before us was so complicated and so involved that I did not have time to explain it and that they would have to take it on faith. Now we have not gotten to that point yet. The recommendations will be presented here, and the bill will be drafted by the 35 members of the committee. And with that statement, Mr. Chapman, we will be glad to hear you now.

STATEMENT OF OSCAR L. CHAPMAN; ACCOMPANIED BY BRUCE CLUBB AND MARTIN FRIEDMAN, COUNSEL FOR UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO)

Mr. CHAPMAN. Mr. Chairman and members of the committee, I, probably, will not be quite as brief as you would want, but any time that you wish you may just cut me off. I would like permission to have with me my two partners, to sit with me here, because if there are any questions, they will be of aid to me.

The CHAIRMAN. You might need some assistance.

Mr. CHAPMAN. I may need some before I get through, yes, sir. The gentlemen with me are Mr. Martin Friedman and Mr. Bruce Clubb.

My name is Oscar L. Chapman. I am appearing here on behalf of the Association of Sugar Producers of Mexico, which, together with the people of Mexico, has a very vital stake in the legislation now pending before this committee. For this reason, Mr. Chairman, this opportunity to appear and make their views known is most sincerely appreciated by the association and by the many thousands of our good friends in Mexico who depend upon the sugar industry for their livelihood.

My purpose in appearing here before you today is to highlight certain aspects of the bill before you which I believe merit careful scrutiny. These are the provisions for a substantial increase in domestic production, and a decrease in the proportion of sugar supplied by Latin American countries.

In order to point up our longrun concern about these aspects, I would like to consider with you in broad, long-range terms the question of where and how the United States should obtain its sugar supplies—not just its foreign supplies, but its domestic supplies as well. In this connection, I will make two main points:

First, it seems to me very questionable whether U.S. domestic production should be increased at this time because (a) it is more expensive than imported sugar, (b) U.S. consumption of sugar has stopped increasing, and may decrease substantially in the future, requiring us to stockpile the increased production, and (c) purchases of sugar by the United States, especially in Latin America, replace, in part, the need for foreign aid, and are consistent with U.S. international commitments.

Second, I urge that the administration proposal be amended such that a minimum of 90 percent of the foreign portion of U.S. sugar supplies be purchased from Latin America, because of traditional U.S. trade and political ties with that area. In this connection, I will explain why we feel that Mexico is properly listed in the administration bill as the leading foreign supplier.

In order to make these points as clearly, and as briefly, as possible I have had a number of charts prepared, which I will refer to from time to time. These charts are located on the easel at the side of the room, and copies of them have been appended to my written statement for your convenience.

Turning now to my first point, that it is questionable whether U.S. domestic sugar production should now be increased, I would like to make a statement that I have made to you several times in the past; namely, that the Mexican sugar producers realize that the United

States Congress must provide first for its own farmers. It has always been the position of the Mexican sugar producers that they are interested in serving only that portion of the United States market which is left over. That position is unchanged. Nonetheless, significant economic changes have been taking place in the patterns of world sugar consumption which make it questionable whether U.S. production should be increased at this time.

The first thing to realize about domestic sugar production is that it is very expensive compared to foreign production. This brings us to chart I. Chart I shows the relative cost to the U.S. taxpayer-consumer of a pound of domestically produced sugar and a pound of imported sugar. As you can see, the market price of the two is the same. However, in the case of domestic sugar you must add into the cost 0.682-cent-per-pound subsidy which is paid from the U.S. Treasury to the sugar grower. Thus, when the U.S. taxpayer-consumer buys a pound of domestically produced sugar he pays 6.72 cents out of his "consumer's pocket" and 0.682 cent per pound out of his "taxpayer's pocket." This brings the total cost of domestically produced sugar to 7.402 cents per pound.

In the case of foreign sugar, instead of taking money out of the U.S. Treasury to pay a subsidy, a duty of 0.625 cent per pound is paid into the Treasury. Thus, when the U.S. taxpayer-consumer buys a pound of imported sugar, he pays 6.72 cents out of his "consumer's pocket" and receives 0.625 cent back into his "taxpayer's pocket."

Directing your attention again to chart I, it can be seen, therefore, that for every pound of domestically produced sugar which is substituted for imported sugar, the U.S. Treasury suffers a loss of 1.307 cents. These figures may not seem very large when we talk in terms of cents per pound, but they rapidly grow to very sizable proportions when we talk in terms of millions of tons. Thus, for example, the 0.682-cent-per-pound subsidy paid to domestic growers sounds insubstantial until you realize that more than \$1,600 million have been appropriated by Congress to support it since its inception in 1938, and that it now costs the U.S. Treasury in excess of \$90 million a year. On the other hand, the revenue from imported sugar now pays into the U.S. Treasury in the neighborhood of \$32 million every year. To put it another way, if the roughly 6.4 million tons of sugar the administration bill requires to be produced in the United States were, instead, to be imported from Latin America, there would be a direct saving to the U.S. Treasury of about \$170 million each year.

As a practical matter, however, we cannot go back and dismantle the domestic sugar industry because it is very costly to the U.S. taxpayer. But is there not something that can be done about future increases in domestic production? For example, at the bottom of chart I it can be seen that the 580,000-ton increase in domestic production, which has this year been proposed, will cost the U.S. taxpayer \$15,-161,200 each year from now on.

But there is more to this picture than just the cost of sugar. In addition, there is a question of reasonable planning for the future. In this connection, allow me to draw your attention to chart II which shows the trend of U.S. and world consumption of sugar since 1940. As you can see, overall world consumption has increased rapidly since World War II, but this has not been true of the United States.

In the United States, we long ago reached the saturation point on per capita sugar consumption such that each person consumed an average of about 103 pounds of sugar per year. Under these circumstances, overall U.S. consumption merely increased along with the increase in population. This normally resulted in an increase in sugar consumption in the neighborhood of 175,000 to 200,000 tons per year.

Recently, however, this picture has begun to change. As you can see on chart II, the consumption of sugar in the United States has been increasing at a much slower rate since the late 1950's until now it probably is not increasing at all, and may in fact be on the verge of a downturn. One reason appears to be that the people in the United States have become very weight conscious, and have concluded that they would be healthier if they ate foods which do not contain as much sugar. At the same time chemical companies have developed artificial sweeteners which act, and taste almost like sugar, but which contains almost no calories. I will not further pursue the development of such artificial sweeteners here, except to note that I have set out in an appendix for incorporation in the record, a series of articles in trade journals from which the committee can check for themselves the accelerating pace at which such artificial sweeteners are making inroads into the sugar market.

Nor are artificial sweeteners the only competitor with sugar in the American market. Corn sweeteners have been developed in recent years which can frequently take the place of sugar. Thus, when the price of corn goes down, or the price of sugar goes up (as it did so drastically under the global quota-premium recapture scheme in effect in 1963-64), sweetener users tend to switch to corn products.

And what effect has all this had on the U.S. sugar market? Mr. Murphy, Director of the Department of Agriculture's sugar policy staff, stated it recently as follows:

* * * there are indications that the U.S. market for sugar has ceased growing at its usual rate and may not be growing at all * * * (Sugar Reports, No. 141, February 1964; pp. 5-6).

The Secretary of Agriculture was even more explicit. In setting his consumption estimate for 1964, the Secretary said:

For years the consumption of sugar in the United States has been stable at the rate of slightly less than 103.5 pounds, raw value per person. At that rate, consumption in 1963 would have amounted to about 9,750,000 tons and in 1964 would amount to about 9,900,000 tons. * * * It is likely that the combined effect of reduced sweetener use and of the proportionately greater use of nonsucrose sweeteners lowered sucrose consumption in 1963 by something like 1 percent. * * * Accordingly, it is estimated that the actual consumption of sugar in 1963 will have been less than 9,700,000 tons and may not significantly exceed that quantity in 1964. Sugar Reports, No. 140, January 1964, page 15.

Thus, Mr. Chairman, both the Secretary and the Director of the sugar policy staff have recognized the inroads being made by substitute sweeteners.

In chart II, we have attempted to portray for you the possible decreased sugar consumption in the United States. You will note that the chart extends the U.S. consumption line out to the year 1970. We have estimated that if the present rate of substitution continues until that year, the consumption of sugar in the United States might well have begun to decrease significantly.

This portion of my testimony is not an attack on the U.S. sugar industry, which is staffed and represented by men I have known and admired for many years. But these are facts which must be faced, and I must ask if it is wise to increase domestic sugar production when all available evidence indicates that U.S. consumption has stopped growing and may decline greatly in the future. Would it not be much wiser to continue to purchase this sugar from the friendly countries of Latin America, whose own consumption of this product is so rapidly increasing and who, as the U.S. market decreases, would be able to sell more in their own domestic market. Lastly, is it wise to now permanently increase the high cost, subsidized production of a commodity which 10 or 20 years from now we may well have to stockpile?

I would also like to point out that an increase in domestic production, which under the circumstances I have just described, necessarily implies a decrease in imports, would violate the spirit, and in some cases the letter of several international agreements to which the United States is committed and a party.

The United States has frequently voiced its great concern about decreases and fluctuations in the foreign exchange earnings of developing countries, especially those of Latin America. Thus, in transmitting the proposed International Coffee Agreement to the President, the Secretary of State said:

It is the Department's view that this agreement offers the best prospect of arresting any further decline in the world coffee prices, thus helping to assure stability in foreign-exchange earnings of coffee producers in some 35 developing countries in Africa, Asia, and Latin America. Since each decline of 1 cent per pound in the price of coffee reduces the foreign exchange income of these countries by almost \$70 million a year, this is of great significance.

If mere fluctuations in prices are so harmful, what will happen to Latin American foreign exchange earnings when imports of an important item like sugar are substantially reduced?

The United States has repeatedly committed itself not to take such a step. Thus, for example, in the Charter of Punta del Este the following statement is found: I quoted that to you in my testimony in 1962.

The American Republics recognize that the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign exchange incomes received from exports * * *.

They therefore agree that the following measures should be taken:

CHAPTER I. NATIONAL MEASURES

National measures affecting commerce in primary products should be directed and applied in order to:

1. Avoid undue obstacles to the expansion of trade in these products;

* * * * *

4. Increase their present markets and expand their area of trade at a rate compatible with rapid development.

Is the United States living up to this agreement if it reduces its purchases of low-cost Latin American sugar in order to increase its own high-cost subsidized sugar production?

I will sum up this portion of my testimony with a question: Is it wise to increase high-cost domestic sugar production in the face of decreasing consumption, in violation of the spirit of several international agreements with our Latin American neighbors, and in the

face of export surpluses readily available in the hands of these neighbors? The answer is clearly, no.

The other aspect of the proposal before you at which you should take a good hard look, is the decrease in the proportion of the foreign quota which is assigned to Latin American countries. For example, I understand that under the 1962 act OAS countries alone received 77 percent of the foreign quota, but that under the proposal for this year these same countries receive only 68 percent of the foreign quota. Both figures are far too low. The reason for this is simple. From the Alliance for Progress in 1961, to the rededication of that Alliance at the White House 3 days ago, this country has announced its special relationships with Latin American countries. If the United States claims a special interest in Latin America, it must show a special interest in that area.

One of the best ways in which this interest can be shown is to purchase in Latin America those products which are readily available there. To do otherwise will force the Latin American countries to form economic relationships with other nations. It is for this reason that I respectfully urge that a minimum of 90 percent of the foreign quota be assigned to Latin American countries.

Let me now turn to a happier part of my testimony—the case for Mexico, which it is always a pleasure to present. In this connection let me say that, no matter how much sugar the United States decides to purchase abroad, some method must be found for allocating the foreign portion of the production among the various foreign countries. A number of factors might conceivably be considered relevant in this consideration, and among them might be balance of trade with the United States, purchases of agricultural commodities from the United States, effect on the gold flow, distribution of sugar earnings within the country, capacity to supply, proximity and past performance. No matter which combination of these factors is considered, it is clear that the administration bill is correct in placing Mexico among the leading suppliers.

We have prepared two charts which will illustrate three of these factors. The first of these, chart III, shows the total sales to the United States, the total purchases from the United States, and the favorable or unfavorable balance for certain Latin American countries for the last 5 years. Note that most countries have a slightly favorable or slightly unfavorable balance of trade with the United States, with the exception of Mexico which over the past 5 years has had a total trade deficit of over \$1.5 billion.

Not only does Mexico buy more from the United States than any other Latin American country, but in 1964 it bought more than twice as much as the next largest Latin American customer of the United States. It is obvious that if purchases from the United States are an important consideration, then Mexico should be the leading supplier.

A great deal of interest has also been shown in purchases of agricultural commodities from the United States. In order to put this information in its proper perspective, we have, on chart IV—I hope you will notice chart No. IV very carefully—shown three items of information. The overall length of the line following the name of each country indicates the total agricultural imports of that country from

the United States. The first part of each such line is red to indicate the amount of total agricultural imports which are made up of cash purchases. The second part of each such line is yellow to indicate the portion of total agricultural imports from the United States which are brought in under the U.S. foreign aid program.

It has frequently been suggested that the United States should assign sugar quotas to those countries which purchase the most U.S. agricultural commodities. If this factor is to be considered, then it is important to distinguish between imports from the United States which represent gifts made by the United States in the form of foreign assistance. For example, it would not seem to be wise to allocate a large quota to a country merely because it had accepted large gifts of U.S. agricultural products. Thus, the only relevant figure is the one representing actual cash purchases of U.S. agricultural products.

When actual cash purchases of U.S. agricultural commodities are considered, it is clear that here, too, Mexico leads the list by a wide margin, purchasing more than half again as much as the next largest purchaser. Other countries, of course, may have larger total imports as shown by the white line, but in such cases a significant amount is imported as a result of U.S. foreign aid assistance.

Similarly, the committee may wish to consider the gold flow problem in assigning quotas to foreign countries. The gold loss problem, of course, arises in part because the United States spends, gives away, and invests more abroad than it receives from abroad. Accordingly, it is clear that if the sugar legislation is written such that the United States obtains a larger portion of its foreign sugar requirements from those countries which will spend the receipts in the United States, then the sugar act can contribute in an important way to stemming the gold flow.

In this connection, it should be noted that not only does Mexico buy more total goods from the United States than any other Latin American country, not only does it purchase more agricultural products for cash than any other Latin American country, but also a larger percentage of its total foreign purchases are made in the United States. For example, in 1964, the latest year for which international statistics are available, 59 percent of the Dominican Republic's total foreign purchases were made in the United States, 41 percent of Peru's, and 34 percent of Brazil's. Mexico, on the other hand, purchased 69 percent of its total foreign purchases from the United States, the largest percentage of any Latin American country.

What does this mean to the United States? It means simply this that if one of the purposes of the Sugar Act is to stimulate the export trade of the United States, then it is clear that the larger the quota assigned to Mexico, the more this goal will be accomplished because these figures show that sugar dollars paid to Mexico stimulate U.S. export trade much more than sugar dollars paid to any other country. To the extent that this is accomplished, the gold flow from the United States will be reduced because the United States can pay in exports rather than gold.

Lastly, the committee may wish to consider which countries continued to ship sugar to the U.S. market during the U.S. sugar crisis of 1963-64, when the price of sugar was higher on the world market, and foreign countries could only ship to the United States at a considerable

sacrifice in earnings to themselves. At that time the Department of Agriculture issued a press release stating in part :

The extent to which foreign countries supply our import requirements next year as needed will have a bearing on recommendations for new legislation (USDA Press Release, 3707/63, Nov. 5, 1963).

Communications were also sent to foreign sugar producers by the U.S. Department of Agriculture asking them for advance commitments to ship stated quantities of sugar to the U.S. market during 1964. In both the press release and the other communications the meaning was made very clear : Those countries which are willing to take a loss in 1964 by selling their sugar to the United States instead of on the world market would be rewarded with higher quotas when the Sugar Act was reconsidered in 1965.

In this connection, we have prepared chart V which shows the total amount of sugar shipped to the United States during 1964 by the Western Hemisphere quota countries. The blue line at the beginning of each country's shipments indicates the amount of basic quota sugar which it supplied. The red line, and the one which is most important for this purpose, shows the amount of sugar each country shipped beyond its quota, that is, sugar supplied to the United States when prices were generally higher on the world market. In this connection you will not see that there again, Mexico leads the list, shipping 288,000 tons above its quota to the U.S. market during that period as compared with the next largest supplier, the Dominican Republic, which shipped 80,000 tons. I might add that these sugar shipments resulted in a substantial loss to the Mexican farmers and producers during that year. In this connection, Mr. Chairman, I would like to remind the committee that 50 percent of the gross income from sugar sales are required by Mexican law to be paid over to the cane farmers.

I have attempted to highlight certain facts for this committee which I believe merit careful consideration in the formulation of longrun sugar policy for the United States. In doing so, I have necessarily been preoccupied with raising certain caution signals designed to avoid falling into a pattern which would lead to elimination of relatively low cost foreign sugar as a significant source of supply for the U.S. market. In this process, however, I do not want to overlook the magnificent work which has been done by this committee and by the administration in developing the proposal now before you.

In my opinion, Mr. Chairman, this committee which from an early date has urged a reconciliation of differences among domestic elements of the industry, and the administration on its part in helping reconcile these differences, and at the same time taking into account the equities of the foreign suppliers, has done a masterful job in producing the proposal now before you. I think that all concerned deserve the heartfelt thanks of all elements of this industry which is so vitally affected by this bill. While I am, of course, impelled both as an advocate and, I hope, as an objective evaluator of sugar legislation with which I have worked over the years, to call to your attention certain caveats which are vitally important from a long-run point of view, I am also impelled to express to you my admiration and respect for the remarkable job of accommodation of various interests which has been approached in the bill as represented in H.R. 10496.

In conclusion, I would again like to thank this committee for the opportunity to appear here and express the views of the Mexican sugar industry on this vital legislation. I know that this committee appreciates and understands the great interest in this legislation shown by the hundreds of thousands of people in Mexico who depend upon the sugar industry for their livelihood.

(The document entitled "Appendix" with accompanying charts follows:)

APPENDIX

ARTICLES ON THE SUBSTITUTION OF SWEETENERS

1. Sweeteners Used by Food Processing Industries, Their Competitive Position in the United States; Agricultural Economic Report No. 48, Economic Research Service, U.S.D.A., January 1964.
2. A Talk by Tom O'Murphy; Sugar Reports, Vol. 141, Pp. 5-6, February 1964.
3. Sweeteners Fatten Up; Chemical Week, Pp. 87, 89, October 27, 1962.
4. Sweeteners: Monsanto in Cyclamates Market; Oil, Paint and Drug Reporter, Pp. 3, 41, April 29, 1963.
5. Boom in Dietetic Products Boosts Sweeteners; Chemical and Engineering News, Pp. 30-31, May 13, 1963.
6. The Price of Sugar; Ice Cream Review, Pp. 22-23, July 1963.
7. Cyclamates, Already Booming in US, Taking on an International Flavor; Oil, Paint and Drug Reporter, P. 51, November 4, 1963.
8. Chemical Profile, Sweeteners; Oil, Paint and Drug Reporter, P. 9, January 6, 1964.
9. Special Report, Low-Calorie Soft Drinks; National Bottlers' Gazette, Pp. 22-32, February 1964.

The CHAIRMAN. Thank you, Mr. Chapman. I do appreciate your statement. I appreciate your views concerning Latin America and your views concerning the domestic sugar industry. We were assured by most of the representatives of the domestic sugar industry that they would not become involved in the foreign quotas. Mr. Kemp made a comment on that about the proposals which have been submitted to us by the Department. And you now have spoken about all Latin America and have dealt very magnanimously with that subject. Your statement was very complete and very thorough. We appreciate your bringing us the charts which you have presented, because they cover points which you have made.

Mr. Teague?

Mr. TEAGUE of California. I do have a question, Mr. Chairman. Mr. Chapman, as always, has done a very able job in representing his clients.

Speaking for myself, I would be much more sympathetic to the Mexican sugar industry, if their Government, the Republic of Mexico, were more helpful to us in our problems with Cuba and the Dominican Republic.

Mr. CHAPMAN. I stated in the beginning of my statement that I could not speak upon any political question involving Mexico.

Mr. TEAGUE of California. I am just making my position clear.

Mr. CHAPMAN. I can appreciate that, but I cannot comment upon that.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Mr. de la Garza?

Mr. DE LA GARZA. Mr. Chapman, on page 14 you mention the Mexican balance of trade with the United States.

CHART I
COMPARATIVE COST TO U.S.
CONSUMER-TAXPAYER OF IMPORTED AND
DOMESTICALLY PRODUCED SUGAR

DOMESTIC

MARKET PRICE	6.720
PLUS SUBSIDY	+ .682
TOTAL COST	7.402

IMPORTED

MARKET PRICE	6.720
LESS DUTY	-.625
TOTAL COST	6.095

LOSS PER POUND	1.307 ¢
X 2,000	
LOSS PER TON	\$26.14
X 580,000	
DIRECT LOSS TO U.S. TREASURY FROM PROPOSED INCREASE IN DOMESTIC PRODUCTION	\$15,161,200

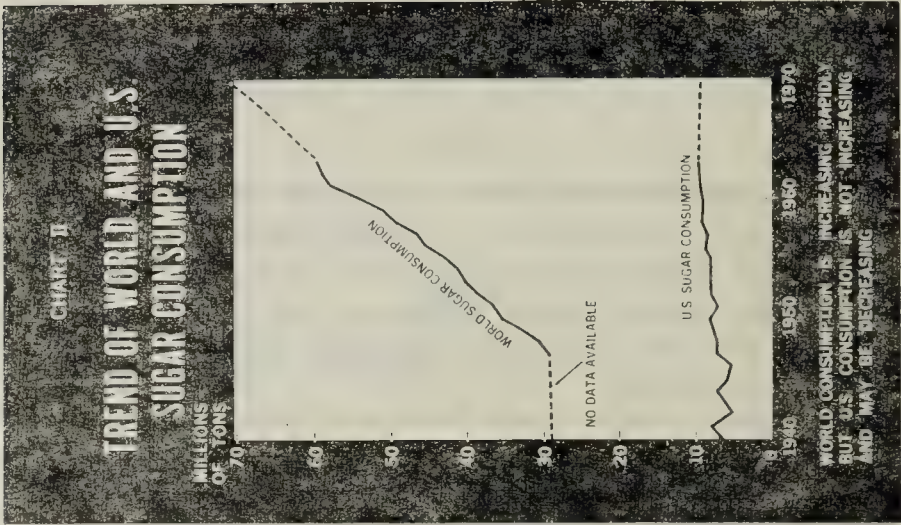


CHART III
FOREIGN TRADE OF THE UNITED STATES WITH PRINCIPAL WESTERN
HEMISPHERE QUOTA COUNTRIES FOR 5 YEARS (1960 TO 1964 INCLUSIVE)

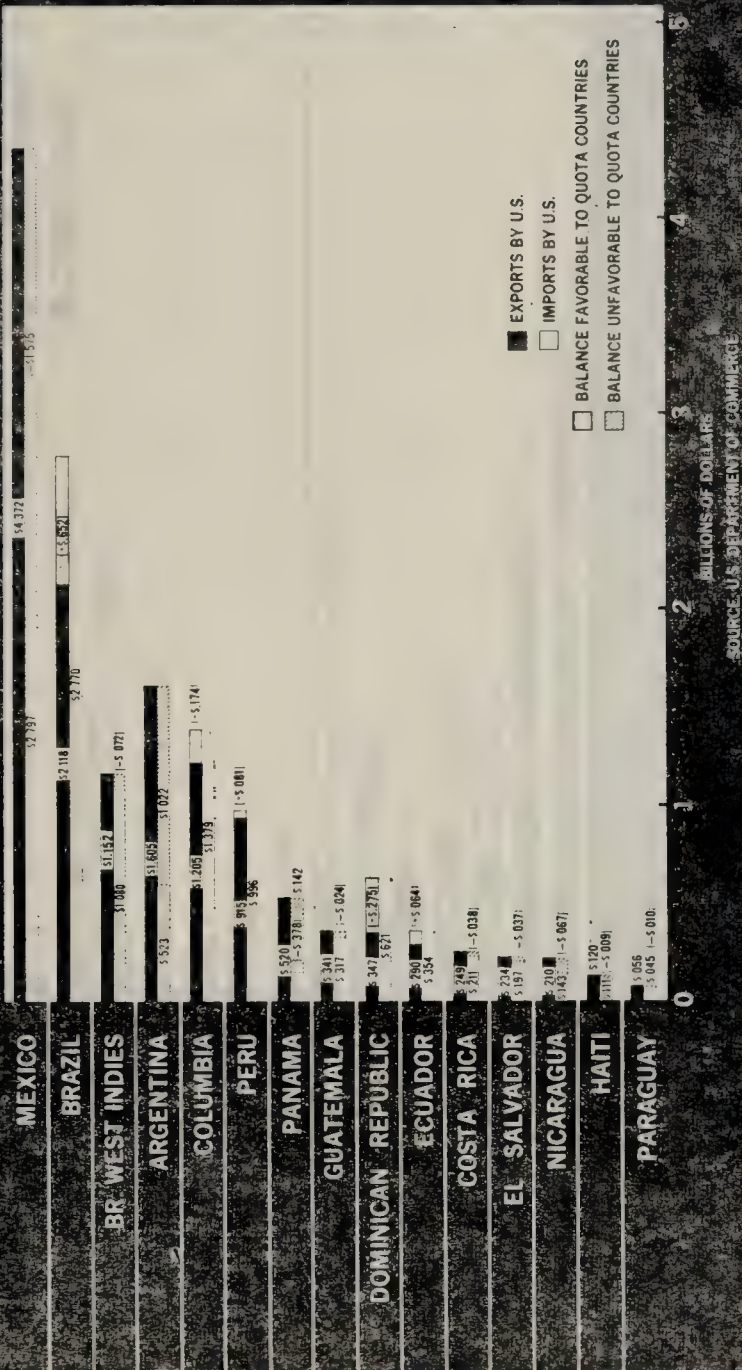
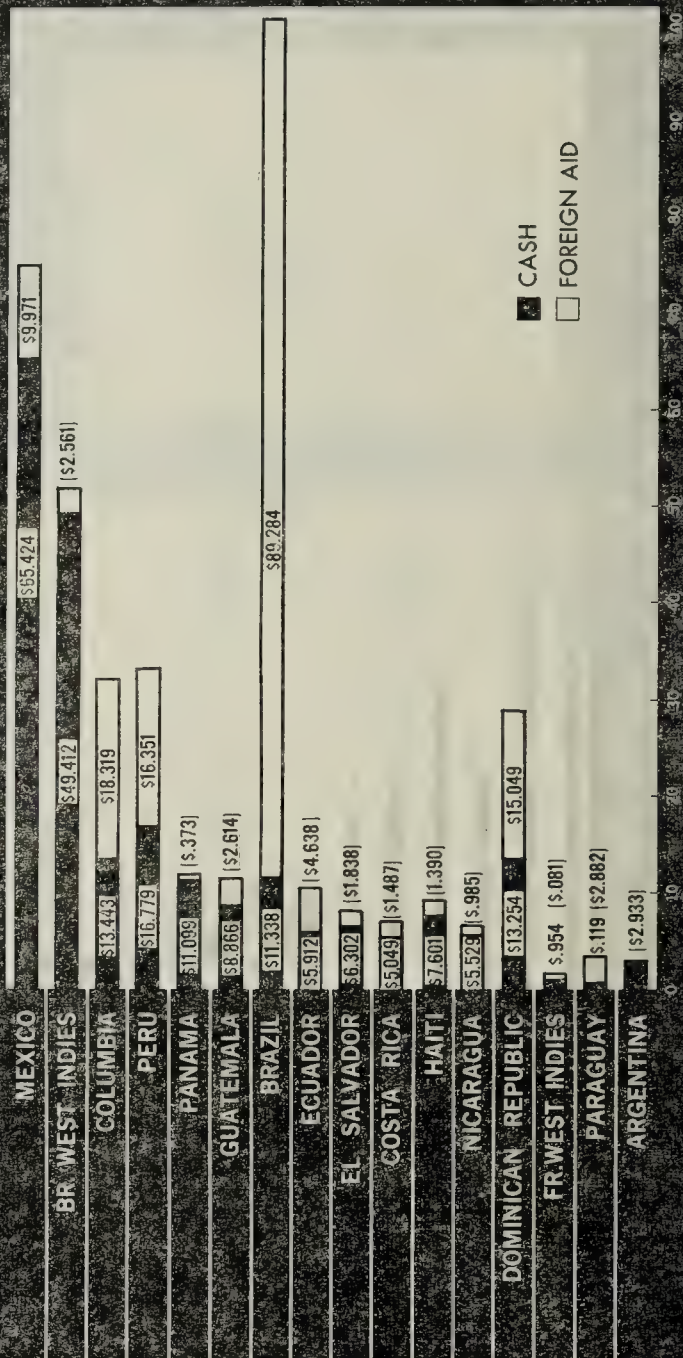


CHART IV

AGRICULTURAL IMPORTS FROM U.S. - CASH AND FOREIGN AID

BY WESTERN HEMISPHERE COUNTRIES IN YEAR ENDING JUNE 30, 1964



MILLIONS OF DOLLARS

SOURCE: ECONOMIC RESEARCH SERVICE, U.S. DEPT. OF AGRICULTURE

CHART V
SHIPMENTS OF SUGAR TO U.S. DURING SUGAR CRISIS - 1964

PRINCIPAL WESTERN HEMISPHERE QUOTA COUNTRIES



Mr. CHAPMAN. Yes.

Mr. DE LA GARZA. But you lump the figure as 1.5 million. I wonder if you could later submit to the committee for the record a more detailed year-by-year statement of what the balance of trade or the balance of payments has been from the United States to Mexico and from Mexico to the United States—in order that the committee might be more fully apprised of the year-by-year trade between the United States and Mexico.

Mr. CHAPMAN. Mr. Congressman, I will be very happy to give you that in a brief memorandum. I will have it in the committee's hands by tomorrow morning.

Mr. DE LA GARZA. And with the chairman's permission, would you kindly present it to the chairman for insertion in the record?

The CHAIRMAN. You may include it in your remarks and it will be made a part of the record.

Mr. CHAPMAN. I will include it in my remarks. I will have it here tomorrow morning. Thank you for that suggestion.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. First of all I would like to associate myself with the comments made by my colleague, Mr. Teague, who emphasized an attitude which expresses my feeling exactly.

Secondly, I would like to ask if Mr. Chapman could acquaint us with any figures that would reflect the amount of aid that the United States has furnished Mexico in years past.

Mr. CHAPMAN. Yes.

Mr. PURCELL. I would like to see the relationship of the assistance in the form of aid we supply to the amount of sugar we buy. I am wondering if it does not put Mexico in another position.

Mr. CHAPMAN. I will be very glad to get that information for you. We will be happy to show it to you, because you will be quite surprised to see how little it is. I was myself.

Mr. PURCELL. I want it in the record.

Mr. CHAPMAN. I will give it to you later.

Mr. PURCELL. I just do not want it to be shown to me. I want it to be a part of the record.

Mr. CHAPMAN. I would like to have it put in with my statement, if you will permit that. I will have it in your hands tomorrow.

The CHAIRMAN. You may do so. We appreciate your appearance, Mr. Chapman.

(The information referred to follows:)

*U.S. economic and military assistance to Mexico*¹

[Millions of dollars]

Year	Loans	Grants	Total
1946-48.....	0.0	42.6	42.6
1949-52.....	.3	51.0	51.3
1953-57.....	.0	12.0	12.0
1958.....	17.7	1.6	19.3
1959.....	.5	1.8	2.3
1960.....	2.7	1.8	4.5
1961.....	.3	4.4	4.7
1962.....	31.0	6.1	37.1
1963.....	8.6	16.6	25.2
1964.....	34.1	18.7	52.8
Total, 1946-64.....	96.1	156.6	252.7

¹ Does not include Export-Import Bank long-term loans.

Source: Agency for International Development.

Foreign trade of the United States with Mexico

[Millions of dollars]

Year	Exports from the United States to Mexico	Imports from Mexico to the United States	Mexico's unfavorable balance of trade with the United States
1955.....	704.9	396.8	-308.1
1956.....	842.7	400.9	-441.8
1957.....	903.6	430.1	-473.5
1958.....	888.4	456.8	-431.6
1959.....	744.2	435.3	-308.9
1960.....	819.6	443.3	-376.3
1961.....	813.0	538.1	-274.9
1962.....	805.2	578.2	-227.0
1963.....	858.0	594.0	-264.0
1964.....	1,076.0	643.0	-433.0
Total.....	8,455.6	4,916.5	-3,539.1

Source: United States Department of Commerce, Bureau of International Commerce, Office of International Trade.

(Hon. Catherine May requested and was given permission by unanimous consent to place the following statement in the record following the statement of Mr. Oscar Chapman:)

STATEMENT OF HON. CATHERINE MAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON REGARDING STATEMENT OF OSCAR L. CHAPMAN ON BEHALF OF ASSOCIATION OF SUGAR PRODUCERS OF MEXICO

Mr. Chairman, I have read and reread the statement of the representative of the Mexican sugar industry, Mr. Oscar Chapman, and my reaction is one of shocked surprise.

In the first place, I question Mr. Chapman's wisdom in including in his statement, as a representative of a foreign sugar industry, a wholly unwarranted, unprovoked, grossly unfair, and gratuitous attack on American sugar producers. I should like to remind Mr. Chapman and the Association of Sugar Producers of Mexico, who hired him to represent the association before this committee, that the Sugar Act is domestic legislation of the United States of America, and that the Mexican sugar industry has a place at this table only at the sufferance of the U.S. Congress. It is indeed poor manners, to say the least, for any foreign interests to make a plea for a preferential place in this market by launching an attack on American producers—which Mr. Chapman, as spokesman for Mexico, has done. Certainly, as far as I am concerned, it has prejudiced his case with me, as a member of this committee.

Secondly, I cannot allow Mr. Chapman's testimony to go unchallenged in the record of this hearing.

The first obvious inaccuracy occurs very early in his testimony, where he says that the administration bill contains "provisions for a substantial increase in domestic production." This is not true. The truth is that under the terms of this bill our domestic producers will have to reduce their production, and not increase it. The temporarily increased marketing rights which the bill provides for the domestic beet and mainland cane producers would enable them to market, gradually, in an orderly manner, the additional sugar they produced in response to the request of the U.S. Government.

Our Government asked for more domestic production, may I remind you, when foreign producers failed to meet their obligations to this market. But this bill anticipates reduced, not expanded, domestic production. Both domestic beet and mainland cane producers have already taken acreage cuts this year, and further cuts are anticipated for next year, under the terms of this bill. Mr. Chapman, therefore, is mistaken when he says that the administration bill contains "provisions for a substantial increase in domestic production."

Equally misleading are Mr. Chapman's attempts, by questionable use of statistics, to show that domestically produced sugar costs American consumers more than foreign produced sugar. He completely ignores the fact that in the same markets domestically produced beet sugar never sells for more and usually

sells for less than refined cane sugar made from imported raw sugar. He also completely ignores the obligations the American producer must meet in order to qualify for the conditional payments which Mr. Chapman calls a "subsidy." American producers must pay minimum wages, established by the Government, to the workers in their fields. They must not hire any child labor. They must comply with acreage restrictions, and they must meet other stringent requirements. He fails to point out that the Mexican sugar industry, although receiving the U.S. price, is not obligated by the Sugar Act to meet any of the requirements the domestic producers must meet in order to receive that price. The Sugar Act does not require Mexican producers to pay minimum wages to their workers or to comply with any of the other restrictive provisions which apply to the domestic industry.

Mr. Chapman also ignores the very basic fact that every pound of sugar produced in the United States, on American farms, in American factories, adds to the economic strength of our Nation, while every pound of sugar we buy from Mexico or any other foreign country diminishes the employment of Americans and adds to our balance-of-payments problem. If Mr. Chapman is going to draw from statistics on the balance of trade between the United States and Mexico, he should use the full statistics which reflect such Mexican income as tourist expenditures of American citizens in Mexico, and should not insult this committee with partial references to trade between the two countries.

In addition, Mr. Chapman has ignored the fact that Mexico has not been among those foreign countries in which production of sugar is a main source of national income as is the case with many foreign suppliers of raw sugar to the United States. Mexico enjoys many other potential exports to the United States.

In Mr. Chapman's sudden concern for the state of the U.S. Treasury, I am surprised that he did not propose reinstatement of an import fee on foreign sugar—which the administration some months ago said it would include in its sugar legislation recommendations, but which the administration abandoned under pressure from Mexico and other foreign countries. In the absence of such a suggestion by Mr. Chapman, his attempt at promoting equity seems strangely out of place.

Particularly strange is his statement in view of the fact that Mr. Chapman is a former Secretary of Interior. As such, he should know—and I am sure he really does know full well—the importance of the beet sugar industry to reclamation projects of the West, and to American agriculture in all the areas where it is produced. Mr. Chapman surely knows that the United States has been making heavy expenditures in an effort to reduce production of surplus crops. He surely knows that if American farmers cannot grow sugarbeets they must turn to other crops which may be in surplus. When American farmers are allowed to increase sugarbeet plantings, they can divert acreages of surplus crops.

Mr. Chairman, I am sure that at least some of my colleagues share my view that Mr. Chapman, by the very nature of his unwarranted and nonfactual statement, has not helped Mexico's request for a larger share of the U.S. sugar market.

The CHAIRMAN. We will now call Mr. John W. Tatem, vice president, South Puerto Rico Sugar Co. We are very glad to have you here and we will be glad to hear from you now.

STATEMENT OF JOHN W. TATEM, JR., VICE PRESIDENT, SOUTH PUERTO RICO SUGAR CO.; ACCOMPANIED BY WALTER STERLING SURREY, SURREY, KARASIK, GOULD & GREENE, WASHINGTON, D.C.; AND AMBASSADOR JOSEPH FARLAND, DIRECTOR, SOUTH PUERTO RICO SUGAR CO.

Mr. TATEM. Mr. Chairman and members of the committee, I have filed a full statement which I will now summarize. I am proud to have with me the former Ambassador of the Dominican Republic, the Honorable Joseph Farland, a director of our company, and our Washington counsel, Walter Sterling Surrey.

My name is John W. Tatem, Jr., I am vice president of South Puerto Rico Sugar Co., a U.S. corporation, the stock which is listed on the New York Stock Exchange and which is owned by approximately 7,000 stockholders.

Our company produces sugar in the Dominican Republic as well as in the State of Florida and in Puerto Rico. I will confine my testimony to our Dominican interests. I do so not only because our domestic interests were amply represented here, but more importantly because this is the only opportunity your committee will have to hear any testimony on the Dominican Republic.

Before I turn to questions of Dominican sugar, I would like for a moment, in my individual capacity, to speak of the present circumstances in the Dominican Republic.

President Johnson's order on April 28, 1965, directing the U.S. Armed Forces to Santo Domingo, was the outgrowth of a difficult decision, a decision with grave implications—a decision that was absolutely necessary.

I can say with all sincerity I wish conditions had not made it necessary, but the fact is what was done was done to prevent a Communist takeover. It would indeed be tragic, however, if what was prevented by force would now insidiously be accomplished by economic deterioration or just by lack of enough will on the part of everyone—Dominicans, ourselves, all of the peoples of the Western Hemisphere—everyone who has a stake in preserving the integrity of this small republic, and through it, of the entire Inter-American system.

The recent Declaration to Dominican People provides for a general amnesty and a guarantee of the rights of all Dominican citizens. Now you and I know that in these circumstances the organized, trained, and dedicated Castroite elements will continue unabated their efforts to capture the Dominican Republic. You and I know that only if the Dominican Republic quickly rebuilds its war-torn economy, only if poverty, unemployment, bewilderment, and confusion are substantially eliminated—only then will the Communists have really lost this war. Only then will our policy have been assured of a meaning in the hindsight of history, and the tragic loss of Dominican and American lives find lasting justification.

The importance of the efforts to rebuild the Dominican economy and to defeat the Communist objectives is clearly recognized by the OAS and by the United States. In his historic remarks on the fourth anniversary of the Alliance for Progress just this past Tuesday, President Johnson eloquently stated our country's intentions. He said:

I know that all of you (OAS countries) share the wish that the future government, chosen by the Dominican Republic and by the Dominican people themselves, will be devoted to the principles of liberal democracy and social justice; and that you share as well the intention of my country to help them rebuild that strife-scarred land.

Whether the Dominicans can take the necessary meaningful first steps in rebuilding their country depends on the status of their economy. Permit me, therefore, to summarize briefly for you the makeup of that economy.

The economy is a sugar economy. The Dominican Republic is the only independent country in the free world where sugar is the principal source of income. The Dominican sugar industry accounts for

more than two-thirds of all wages and salaries paid by the industrial sector. It employs upward of 85,000 people, the largest labor force on the island. Sugar and the Dominican Republic are synonymous. Herein lies the problem: if the sugar industry sags, the Dominican economy collapses.

Increase production is not the answer. Many years ago testimony was given before this committee that the intention of the Dominican sugar producers was to increase their then total sugar production from a little less than three-quarters of a million tons to 1 million tons, and to stabilize production at that general level. That level was reached over 5 years ago; and there it remains.

Of these 1 million tons of sugar that can be produced in the Dominican Republic, a little over 10 percent is consumed locally. This differs radically from Mexico and Brazil, for example, which consumed in 1964 domestically 74 percent and 78 percent of their production and even Peru, which consumed 41 percent. The Dominican sugar industry does not have any such benefit of a large or expanding domestic market.

Dominican sugar must, therefore, look to the foreign markets for a home. But, unlike the British West Indies, which has the preferential Commonwealth market to absorb on the average 75 percent of its production, or Australia and South Africa, with 70 percent and 75 percent, respectively, either consumed locally or exported to the Commonwealth market, Dominican sugar has no built-in foreign preferential market.

The impact of this on the Dominican economy is frightening: approximately 90 percent of its total sugar production must be sold abroad. The only stabilized market available to it is the United States. What the Dominican sugar industry does not sell in the United States, it must sell in the distressed world market. (See chart I, attached.)

That so-called world market almost always has been and is now a dump market for homeless sugar. It is a market which easily can be manipulated by the Cuban-Soviet bloc.

Since the Dominican economy is a sugar economy, it obviously follows that Dominican sugar export earnings are the basis of its international balance of payments. Dominican sugar exports account for over 50 percent of its total export earnings. The price the Dominican Republic receives for its sugar, therefore, is the real determinative factor of what the Dominicans can buy abroad to assist in the development of their economy. (See chart II, attached.)

In terms of the administration quota proposal, this means that out of a potential production of 1 million tons, 100,000 tons would be sold locally at 6 cents per pound, 386,000 tons to the United States at 5.80 cents per pound, and 514,000 tons to the world market at yesterday's price of 1.75 cents. The average price received for all Dominican sugar would be, therefore, 3.70 cents per pound.

Mr. Chairman, we should now check this average price against the cost of production. In our company, the cost of production is over 4½ cents. I can assure you that our company is a very efficiently managed enterprise.

The largest producer of sugar in the Dominican Republic, a government-owned entity accounting for two-thirds of the production, has by eliminating featherbedding and by following the advice of an out-

side consulting firm, managed in the past 2 years to reduce its costs from a reported 7 cents to 5.5 cents. I am advised that with the return of stable conditions the costs will go down to 5 cents. But despite these commendable efforts, the average price it will realize under the administration bill is only 3.7 cents.

What then is the solution? The solution lies initially in this committee room.

Mr. Chairman, I therefore wish to recommend for your deliberations certain principles:

My first recommended principle is that you can determine the allocation of the foreign sugar quota by first utilizing a formula as an initial guideline. We propose that the most objective formula is to calculate first the average of shipments to the United States over the 3-year period 1962 to 1964, inclusive, which was the term of the last Sugar Act.

In this connection, however, the 130,000 tons allocated to the Dominican Republic under the terms of the honeybee bill should be treated today in any calculations as a part of the available Cuban reallocation. I am sure I need not review how that provision came about, nor why it had to come about, nor need I elaborate on the hope that this time the basic sugar legislation will completely and properly deal with the Dominican problem.

In arriving at the basis of the application of this formula, I fully support all that Mr. Chapman has said so well and forcefully with respect to allocating 90 percent of the foreign quota to our traditional Western Hemisphere suppliers. I must say, in this connection, that it is with real astonishment that I find in the administration bill that of the faraway suppliers—those in Africa, Europe, and the Far East—compared to the basic 1962 legislative quotas only one had its basic quota reduced slightly, four of the larger of such producers had their basic quotas doubled, and six received a basic quota for the first time.

In the Western Hemisphere, on the other hand, as compared with your action in 1962, 14 of our neighboring suppliers had their basic quotas substantially reduced, while 2 received a quota for the first time and only 1 supplier, a small one, had its quota increased. I wonder where some of the bureaucrats were when President Johnson said just a few days ago at the Alliance commemorative ceremony: "We will try to maintain a regularly expanding market for the sugar that is produced by Latin America." The basic quota is the permanent fixture, the instrumentality by which a regularly expanding market can be assured. The simple fact is that as the bill now reads 14 Latin American suppliers have had their basic quota permanently reduced, while the faraway suppliers had theirs increased.

I would also propose that any country importing any sugar should not be given a quota. This would eliminate a repetition of the cruel jest of Dominican sugar being sold at the distressed world price to a faraway supplier which found itself short of sugar after it had made substantial sales to the United States at 6 cents.

My second recommended principle is that there be taken into account the use of dollars earned from sugar exports to buy goods in the United States. I believe we have a right to expect that our exports will be benefited by the opening up of our sugar market. Thus where the dollars earned from sugar sales to the United States in the past

are not reflected in increased dollars spent in the United States. The figures arrived at under the proposed formula should be adjusted downward.

Those countries which increased their imports from the United States as a result of increased sugar dollars should have their quota correspondingly increased. I might point out that the Dominican dollar imports went from \$30 million in 1961 to \$113 million in 1964, which was far more than the Dominicans earned out of their dollar sugar sales. (See chart III, attached.)

There should also be taken into account that those countries which have consistently increased their sugar production in hopes of obtaining a larger U.S. quota, obviously should not be so rewarded. This committee has for years warned against overproduction. This warning can have meaning only if it is taken into account in adjusting the proposed quotas.

My third recommended principle is that very special situations be given weight in adjusting the proposed quota. The Dominican Republic constitutes such a special situation.

I suggest that the result of the calculations and judgments up to this point would yield a Dominican quota of approximately 600,000 tons. In light of the special situation, however, I would urge that this figure be revised so that its basic quota and its share of the Cuban reallocation total not less than 750,000 tons, plus a regular share in the deficit reallocations and the distribution of increased growth.

It may be quite properly asked of me why the executive branch has not recommended this action? I can only surmise. By calculating quotas strictly in accordance with a mathematical formula, the potential charge of preferential treatment to any country is avoided. This best explains why the quotas should be determined by the Congress, which need not defend its actions to every foreign ambassador.

Mr. Chairman, I can only reflect that if this country could make the hard decision to risk American lives in a small Caribbean country in order to preserve its 3 million people from Communist enslavement and maintain the integrity of the inter-American system, can it be so hard to vary a mathematical formula to help insure the lasting meaning and success of that first basic decision?

I can only reflect that those countries of the OAS which voted for the first time for the creation and use of an inter-American force to protect one of its members from Communist subversion, cannot really oppose this economic decision which may involve for them a little less quota—but no risk of lives.

I can only reflect that those countries, which opposed the use of OAS armed force for reasons of principle involving views on international intervention, would not want to seek to extend those views to opposing increased help in the form of a larger quota.

The provision of the quota which I have suggested will not solve the Dominican problem. At most, it will provide a means whereby the principal economic activity of the country, that is to say, the production of sugar, can meaningfully contribute to the rehabilitation of the Dominican economy. Also it will provide a way whereby the Dominicans themselves can take those first steps toward lasting economic and political independence.

If ever the phrase "trade, not aid" had significant meaning, that case is before you for decision. If ever the wisdom of preserving the allocation of the quota for decision by the Congress has been questioned, all doubts can be resolved by you by determining the Dominican quota by judgment rather than by strict adherence to mathematical formulas.

A long, hard road lies ahead for the people of the Dominican Republic, indeed for all the people of the Western Hemisphere, if the threat of Communist subversion is to be eliminated from this small island republic in the Caribbean. The great minority of the Dominican people want to work to that end. This committee, by the exercise of its collective wisdom and judgment, can help them immeasurably to help themselves.

Thank you.

(The complete statement of John W. Tatem, Jr., follows:)

TESTIMONY OF JOHN W. TATEM, JR., SOUTH PUERTO RICO SUGAR CO.

Mr. Chairman, members of the committee, my name is John W. Tatem, Jr., I am most grateful for the opportunity to appear before you. I am not a professional witness; this is my first appearance before any congressional committee. I am a businessman, serving as vice president of South Puerto Rico Sugar Co., a U.S. corporation, the stock of which is listed on the New York Stock Exchange, and which is owned by approximately 7,000 stockholders. I hope my lack of experience in testifying can be offset by the convictions I hold and the information I wish to pass on to you.

Our company produces sugar in the Dominican Republic as well as in the State of Florida and in Puerto Rico. I will confine my testimony to our Dominican interests. I do so not only because our domestic interests were amply represented here, but more importantly because this is the only opportunity your committee will have to hear any testimony on the Dominican Republic. Existing financial limitations, imposed by present circumstances in the Dominican Republic, have prevented anyone from testifying on its behalf.

Before I turn to questions of Dominican sugar, I would like for a moment, in my individual capacity, to speak of the present circumstances in the Dominican Republic. In this area, I believe I can speak with knowledge. I lived in the Dominican Republic for over 40 years and I am presently responsible for the Dominican operations of our company.

President Johnson's order on April 28, 1965, directing the U.S. Armed Forces to Santo Domingo, was the outgrowth of a difficult decision, a decision with grave implications—a decision that was absolutely necessary. One could anticipate the Communist criticisms; one could also anticipate the concerns and misgivings of those who honestly were troubled by this radical departure from past policy.

I can say with all sincerity I wish conditions had not made it necessary; I can also say with absolute conviction that because of the President's decision the Dominican Republic today is not an ally of Castro Cuba.

What has been done has been done to prevent a Communist takeover. It would indeed be tragic, however, if what was prevented by force would now insidiously be accomplished by economic deterioration, or just by lack of enough will on the part of everyone—Dominicans, ourselves, all of the peoples of the Western Hemisphere—everyone who has a stake in preserving the integrity of this small republic, and through it, of the entire inter-American system.

The recent Declaration to Dominican People, signed by the Organization of American States Special Committee, including the U.S. Ambassador to the Organization of American States, Ellsworth Bunker, provides for a general amnesty and a guarantee of the rights of all Dominican citizens. Effectuation of the Organization of American States Declaration to Dominican People will mean that, internally, in that small island republic of 3 million people, as in any free society, those who follow the false premises of communism will be free to advocate them.

Now you and I know that in these circumstances the organized, trained, and dedicated Castroite elements will continue unabated their efforts to capture the Dominican Republic. You and I know that only if the Dominican Republic

quickly rebuilds its war-torn economy, only if poverty, unemployment, bewilderment, and confusion are substantially eliminated—only then will the Communists have really lost this war. Only then will our policy have been assured of a meaning in the hindsight of history, and the tragic loss of Dominican and American lives find lasting justification.

The importance of the efforts to rebuild the Dominican economy and to defeat the Communist objectives is clearly recognized by the Organization of American States and by the United States. The Declaration to Dominican People, broadcast in Santo Domingo on August 8, declares:

"* * * we affirm our intention to help the Dominican people in their efforts to build the democratic institutions that are the only effective defense against communism.

"However, if these institutions are to be built, the nation's economy must be saved. At the moment it is on the point of ruin."

In his historic remarks on the fourth anniversary of the Alliance for Progress just this past Tuesday, President Johnson eloquently stated our country's intentions. He said:

"I know that all of you [Organization of American States countries] share the wish that the future government, chosen by the Dominican Republic and by the Dominican people themselves, will be devoted to the principles of liberal democracy and social justice; and that you share, as well, the intention of my country to help them rebuild that strife-scarred land."

The American newspapers of last week reported a major AID program currently being considered to assist in the establishment of a true "Caribbean showcase." The article quotes a top U.S. Government official:

"We're prepared to make a substantial and generous contribution. But, in the last analysis, anything we do will depend on the Dominicans and how far they're willing to go in helping themselves."

I believe this latter statement to be so obvious that it bears repeating, lest its obviousness obscure its basic significance. United States dollars cannot, by themselves, provide a sound Dominican economy that will furnish the base from which a lasting democracy can be established. Our aid, our taxpayers' money, can only provide needed assistance to support the efforts of the Dominican people.

It is the Dominican people who through their efforts, their willingness to work, their perseverance, and their ability to sacrifice today for a free and better life tomorrow—it is only these victims of a long tyranny, and the equally tragic vacuum that tyranny inevitably leaves in its wake, who can make the meaningful and counting first steps toward a better world.

Whether the Dominicans can take those first meaningful steps depends on the status of their economy. Permit me, therefore, to summarize briefly for you the makeup of that economy.

The economy is a sugar economy. The Dominican Republic is the only independent country in the free world where sugar is the principal source of income. The Dominican sugar industry accounts for more than two-thirds of all wages and salaries paid by the industrial sector. It employs upward of 85,000 people, the largest labor force on the island. Sugar and the Dominican Republic are synonymous. Herein lies the problem: if the sugar industry sags, the Dominican economy collapses.

One course would be to accept this dependence on sugar as some preordained fate and increase that dependence by increasing production. Fortunately, that has not been the course that has been followed. Many years ago testimony was given before this committee that the intention of the Dominican sugar producers was to increase their then total sugar production from a little less than three-quarters of a million tons to 1 million tons, and to stabilize production at that general level. That level was reached over 5 years ago; and there it remains.

In our company, the South Puerto Rico Sugar Co., the program today is not to seek an increase in production, but a decrease in the nonlabor costs of production, to improve land utilization in order to produce the same amount of cane from less acres, to use the free acres for other diversified activities, and to increase the production of byproducts.

These policies have been determined because of the realities of the Dominican sugar economy and the world sugar market. Of the 1 million tons of sugar that can be produced in the Dominican Republic, a little over 10 percent is consumed locally. This differs radically from Mexico and Brazil, for example, which consumed in 1964 domestically 74 and 78 percent of their production, and even Peru, which consumed 41 percent. The Dominican sugar industry does not have any such benefit of a large or expanding domestic market.

Dominican sugar must, therefore, look to the foreign markets for a home. But unlike the British West Indies, which has the preferential Commonwealth market to absorb on the average of 75 percent of its production, or Australia and South Africa, with 70 and 75 percent, respectively, either consumed locally or exported to the Commonwealth market, Dominican sugar has no built-in foreign preferential market.

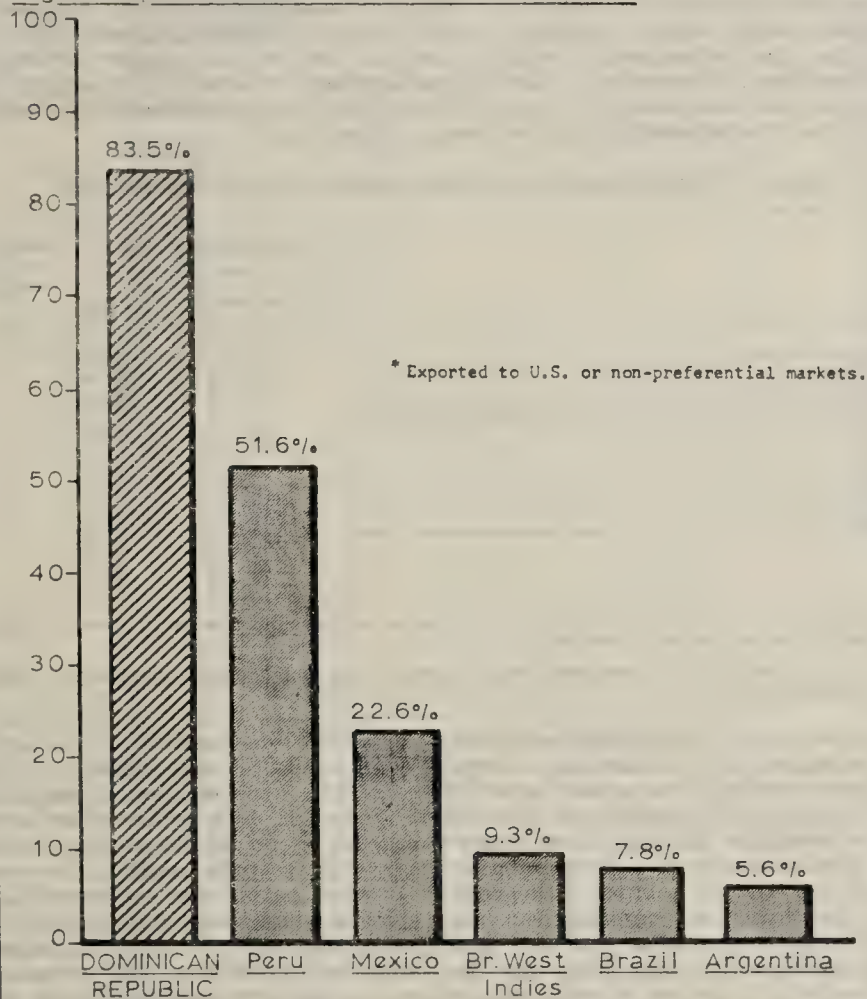
Unlike every other Western Hemisphere country, the Dominican Republic alone cannot turn to a large domestic market or alternatively to a built-in preferential foreign market.

The impact of this on the Dominican economy is frightening: approximately 90 percent of its total sugar production must be sold abroad. The only stabilized market available to it is the United States. What the Dominican sugar industry does not sell in the United States, it must sell in the distressed world market. (See chart I.)

Chart - I

THE DOMINICAN REPUBLIC MUST SELL NEARLY
ALL ITS SUGAR PRODUCTION TO THE U.S.A.
OR TO THE DISTRESSED WORLD MARKET

Sugar Exports* As a % of Production - 1964



Source: Table I

TABLE I.—*Exports as a percent of group-year production, 1964*

	1964 crop year production	Net exports, 1964	Exports as percent of production
	<i>Thousand tons</i>	<i>Thousand tons</i>	<i>Thousand tons</i>
Dominican Republic.....	1,000	835	83.5
Peru.....	915	472	51.6
Mexico.....	2,368	536	22.6
British West Indies.....	1,520	1,210	79.6
Less preferential markets.....		1,068	70.3
Net.....		142	9.3
Brazil.....	3,939	307	7.8
Argentina.....	1,063	60	5.6

Source: U.S. Department of Agriculture data.

That so-called world market almost always has been and is now a dump market for homeless sugar. Generally, only about 10 percent of the total sugar production of the world, that sugar which is not sold in a stabilized, regulated domestic market or a stabilized, regulated foreign market, goes into the world market. It is a market which easily can be manipulated by the Cuban-Soviet bloc.

Since the Dominican economy is a sugar economy, it obviously follows that Dominican sugar export earnings are the basis of its international balance of payments. Dominican sugar exports account for over 50 percent of its total export earnings. The price the Dominican Republic receives for its sugar, therefore, is the real determinative factor of what the Dominicans can buy abroad to assist in the development of their economy. (See chart II.)

TABLE II.—*Relationship of sugar exports to total exports, 1963*

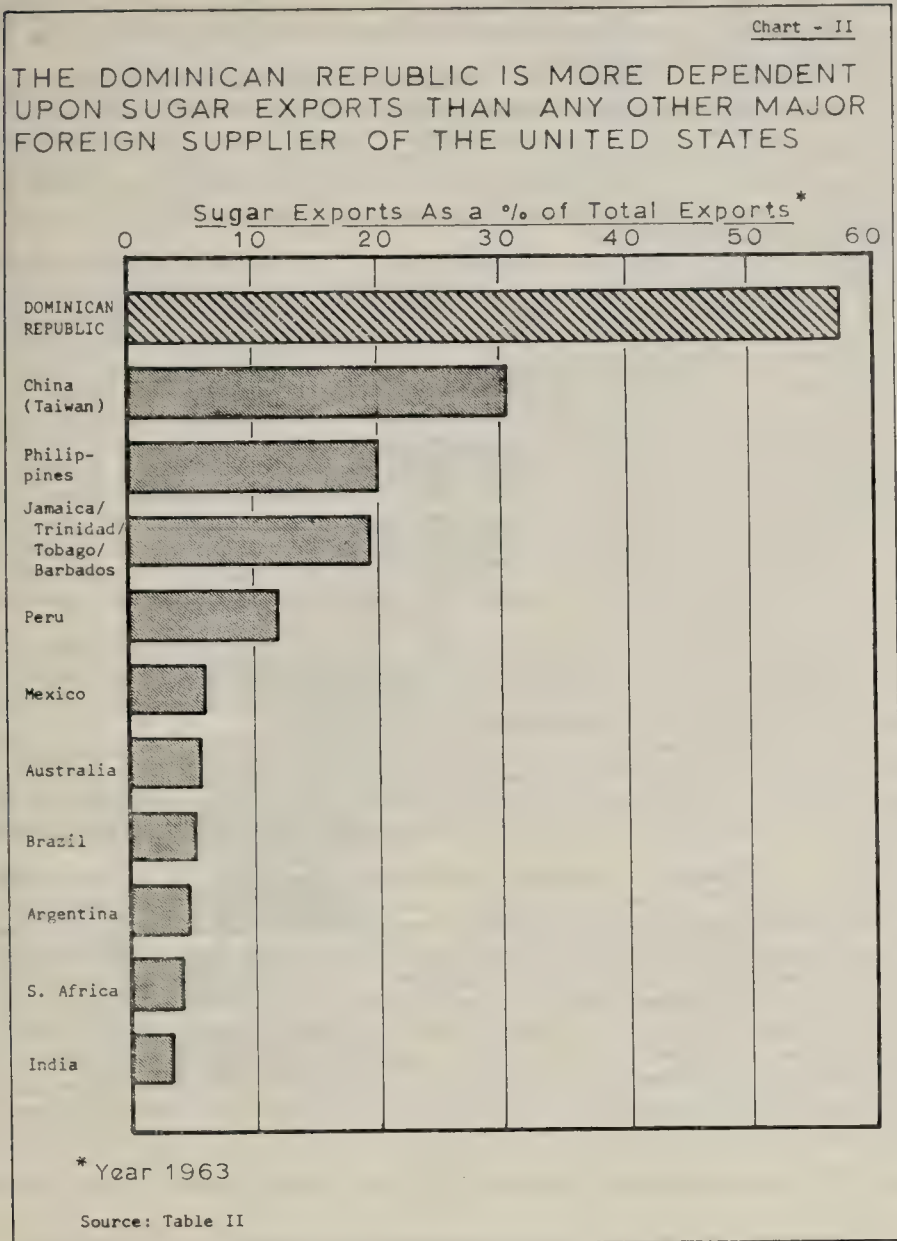
	Value (millions of dollars)		Percent ¹ of total (sugar exports)
	Total exports	Sugar exports	
Dominican Republic.....	174.3	100.4	57.6
China (Taiwan).....	331.7	101.9	30.7
Republic of Philippines.....	727.1	146.5	20.1
British West Indies: Jamaica, Trinidad, Tobago, and Barbados.....	597.7	116.3	19.5
Peru.....	540.0	64.9	12.0
Mexico.....	984.0	59.6	6.1
Australia.....	2,784.7	159.7	5.7
Brazil.....	1,406.5	72.9	5.2
Argentina.....	1,365.1	67.5	4.9
South Africa.....	1,267.3	54.3	4.3
India.....	1,602.2	56.4	3.5

¹ Converted from local currencies on the basis of rates of exchange indicated in International Financial Statistics (IMF) as applicable to year 1963.

Sources: UN Yearbook of International Trade Statistics, 1963, and data of the International Monetary Fund, Statistical Division.

In terms of the administration quota proposal, this means that out of a potential production of 1 million tons, 100,000 tons would be sold locally at 6 cents per pound, 386,000 tons to the United States at 5.80 cents per pound, and 514,000 tons to the world market at yesterday's price of 1.75 cents. The average price received for all Dominican sugar would be, therefore, 3.7 cents per pound.

Mr. Chairman, we should now check this average price against the cost of production. In our company, the cost of production is over 4½ cents. I can assure you that our company is a very efficiently managed enterprise. I can equally well assure you that our total sales proceeds do go in large part—indeed principally—right back into the Dominican economy. Our wage scales have doubled in the last 4 years, our fringe benefits now include housing assistance, vacation pay, sick leave pay, and special bonuses related to sales prices. In addition to a substantial export tax, our net earnings are taxed by the Dominicans at a 38-percent rate. And when our average gross sugar revenues



are in excess of 5.825 cents free on board per pound (as when the world market exceeded the U.S. price), the excess is presently taxed 100 percent.

The largest producer of sugar in the Dominican Republic, a government-owned entity accounting for two-thirds of the production, has by eliminating featherbedding and by following the advice of an outside consulting firm, managed in the past 2 years to reduce its costs from a reported 7 cents to 5.5 cents. I am advised that with the return of stable conditions the costs will go down to 5 cents. But despite these commendable efforts, the average price it will realize under the administration bill is only 3.7 cents.

What then is the solution? I can answer this by first saying where one can find the solution. The solution lies initially in this committee room. The solution will be found in the formula the Congress adopts for allocating the foreign share of the U.S. sugar market.

Mr. Chairman, I wish to recommend for your deliberations certain principles:

My first recommended principle is that you determine the allocation of the foreign sugar quota by first utilizing a formula as an initial guideline. We

propose that the most objective formula is to calculate first the average of shipments to the United States over the 3-year period 1962-64 inclusive, which was the term of the last sugar act.

In this connection, however, the 130,000 tons allocated to the Dominican Republic under the terms of the Honeybee bill should be treated today in any calculations as a part of the Dominican Republic's basic quota, and not as a part of the available Cuban reallocation. I am sure I need not review how that provision came about, nor why it had to come about, nor need I elaborate on the hope that this time the basic sugar legislation will completely and properly deal with the Dominican problem.

In arriving at the basis of the application of this formula, I fully support all that Mr. Chapman has said so well and forcefully with respect to allocating 90 percent of the foreign quota to our traditional Western Hemisphere suppliers. I must say, in this connection, that it is with real astonishment that I find in the administration bill that of the faraway suppliers—those in Africa, Europe, and the Far East—compared to the basic 1962 legislative quotas only one had its basic quota reduced slightly, four of the larger of such producers had their basic quotas doubled, and six received a basic quota for the first time. In the Western Hemisphere, on the other hand, as compared with your action in 1962, 14 of our neighboring suppliers had their basic quotas substantially reduced, while 2 received a quota for the first time and only 1 supplier, a small one, had its quota increased. I wonder where some of the bureaucrats were when President Johnson said just a few days ago at the Alliance commemorative ceremony:

"We will try to maintain a regularly expanding market for the sugar that is produced by Latin America."

The basic quota is the permanent fixture, the instrumentality by which a regularly expanding market can be assured. The simple fact is that as the bill now reads 14 Latin American suppliers have had their basic quota permanently reduced, while the faraway suppliers had theirs increased.

I would also propose that any country importing any sugar should not be given a quota. This would eliminate a repetition of the cruel jest of Dominican sugar being sold at the distressed world price to a faraway supplier which found itself short of sugar after it had made substantial sales to the United States at 6 cents.

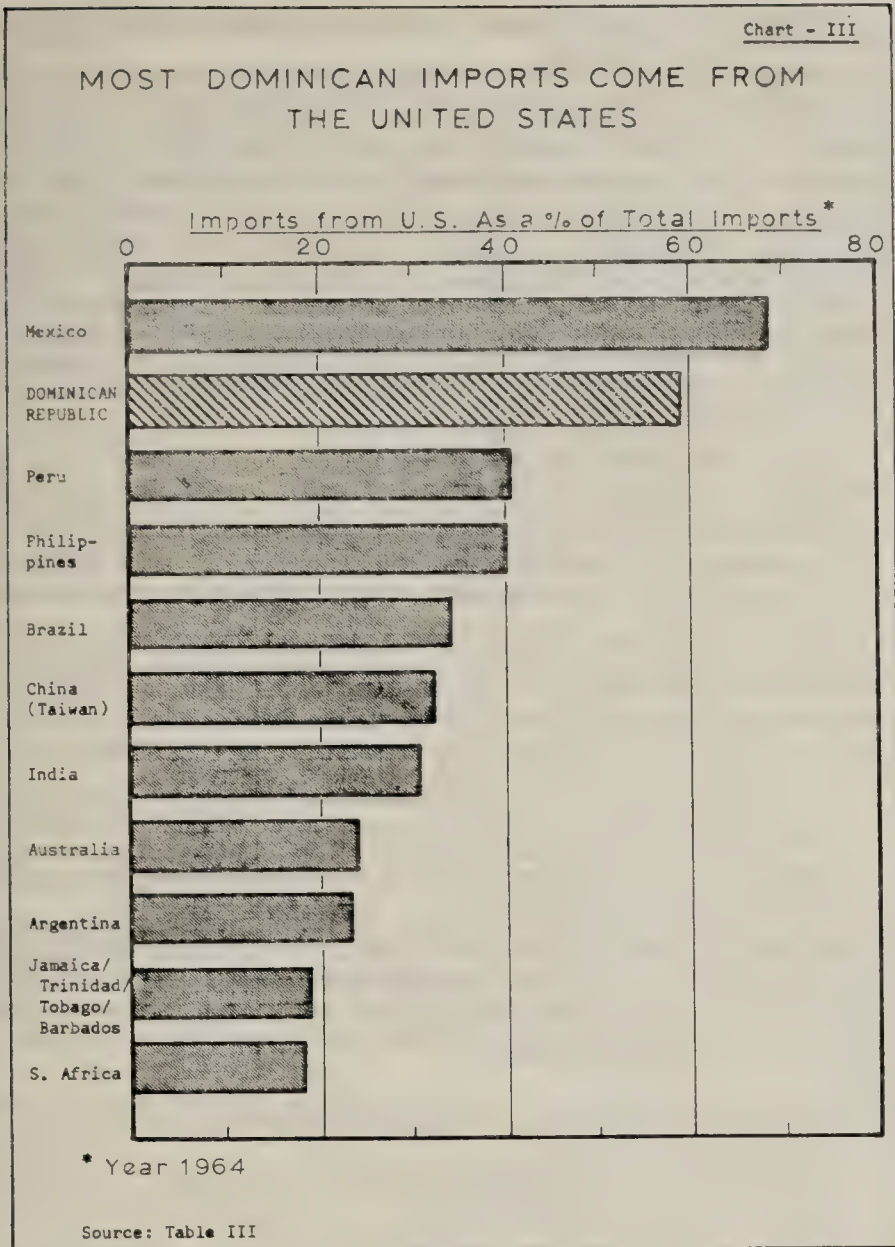
My second recommended principle is that there be taken into account the use of dollars earned from sugar exports to buy goods in the United States. I believe we have a right to expect that our exports will be benefited by the opening up of our sugar market. Thus where the dollars earned from sugar sales to the United States in the past are not reflected in increased dollars spent in the United States, the figures arrived at under the proposed formula should be adjusted downward. Those countries which increased their imports from the United States as a result of increased sugar dollars should have their quota correspondingly increased. I might point out that Dominican dollar imports went from \$30 million in 1961 to \$113 million in 1964, which was far more than the Dominicans earned out of their dollar sugar sales. (See chart III.)

TABLE III.—*Relationship of imports from the United States to total imports, 1964*

[Dollar amounts in millions of U.S. dollars]

	Total imports	Imports from United States	Imports from United States as a percent of total
Mexico.....	\$1,492.0	\$1,023.3	68.6
Dominican Republic.....	191.2	113.2	59.2
Peru.....	579.7	236.1	40.7
Republic of Philippines.....	847.7	340.6	40.2
Brazil.....	1,265.6	436.5	34.5
China (Taiwan).....	425.0	139.1	32.7
India.....	2,270.6	704.2	31.0
Australia.....	2,977.7	725.4	24.4
Argentina.....	1,077.4	255.5	23.7
Jamaica, Trinidad, Tobago, and Barbados.....	767.6	147.6	19.2
South Africa.....	2,150.0	408.9	19.0

Source: IMF, Supplements to International Financial Statistics.



There should also be taken into account that those countries which have consistently increased their sugar production in hopes of obtaining a larger U.S. quota, obviously should not be so rewarded. This committee has for years warned against overproduction. That warning can have meaning only if it is taken into account in adjusting the proposed quotas.

My third recommended principle is that very special situations be given weight in adjusting the proposed quota. Thus, and I have no particular country in mind, if a country has consistently thwarted United States and Organization of American States policies, that factor should be considered.

What I do have clearly in mind, however, is that the Dominican Republic constitutes a very special situation and affirmatively should be considered as such in this legislation. I suggest that the result of the calculations and judgments up to this point would yield a Dominican quota of approximately 600,000 tons.

In light of the special situation, however, I would urge that this figure be revised so that its basic quota and its share of the Cuban reallocation total not

less than 750,000 tons, plus a regular share in the deficit reallocations and the distribution of increased growth.

It may be quite properly asked of me why the executive branch has not recommended this action? I can only surmise. By calculating quotas strictly in accordance with a mathematical formula, the potential charge of preferential treatment to any country is avoided. This best explains why the quotas should be determined by the Congress, which need not defend its actions to every foreign Ambassador. By reserving the decision to Congress, the decisionmaking process can include more than a punched IBM card, a turning of the computer's wheels.

Mr. Chairman, it was not a punched card nor the turning of wheels that determined the decision to send U.S. forces to the Dominican Republic. I can only reflect that if this country could make the hard decision to risk American lives in a small Caribbean country in order to preserve its 3 million people from Communist enslavement and maintain the integrity of the inter-American system, can it be so hard to vary a mathematical formula to help insure the lasting meaning and success of that first basic decision?

I can only reflect that those countries of the OAS which voted for the first time for the creation and use of an inter-American force to protect one of its members from Communist subversion, cannot really oppose this economic decision which may involve for them a little less quota—but no risk of lives.

I can only reflect that those countries, which opposed the use of OAS armed force for reasons of principle involving views on international intervention, would not want to seek to extend those views to opposing increased help in the form of a larger quota.

The provision of the quota which I have suggested will not solve the Dominican problem. At most, it will provide a means whereby the principal economic activity of the country, that is to say, the production of sugar, can meaningfully contribute to the rehabilitation of the Dominican economy. Also it will provide a way whereby the Dominicans themselves can take those first steps toward lasting economic and political independence.

If ever the phrase "trade, not aid" had significant meaning, that case is before you for decision. If ever the wisdom of preserving the allocation of the quota for decision by the Congress has been questioned, all doubts can be resolved by you by determining the Dominican quota by judgment rather than by strict adherence to mathematical formulas.

A long, hard road lies ahead for the people of the Dominican Republic, indeed for all the people of the Western Hemisphere, if the threat of Communist subversion is to be eliminated from this small island Republic in the Caribbean. The great majority of the Dominican people want to work to that end. This committee, by the exercise of its collective wisdom and judgment, can help them immeasurably to help themselves.

Thank you.

The CHAIRMAN. Thank you. You want 750,000?

Mr. TATEM. That is right.

The CHAIRMAN. Under the present law it is 192,000?

Mr. TATEM. Plus the honey bee, sir.

The CHAIRMAN. That brings it to what?

Mr. TATEM. That is 130,000 more or 322,000 tons.

The CHAIRMAN. Thank you very much.

Mr. de la Garza.

Mr. DE LA GARZA. On page 9 you state that the largest producer is a Government-owned industry?

Mr. TATEM. That is right, sir.

Mr. DE LA GARZA. I disagree with you when you say that feather-bedding is out and everything is going to be eliminated by being run by the Government. I do not think that is possible in any case.

How is the profit distributed?

Mr. TATEM. Frankly, there have been no profits. It has been operating and substantial operating improvements have been made. They hope to make further improvements, but no Dominican pro-

ducer can hope to produce sugar at a profit with an average price of 3.7 cents.

MR. DE LA GARZA. I have a rather difficult time understanding your statement speaking for the Dominican people, in view of the fact that, at least, everything that I have heard about it is that part of the problem there is—well, I do not know what word to use—the way in which the financial situation of the country is handled—to put it that way—so that it would seem to me that in some respects here you are even casting accusations at other countries for participating or not participating in the OAS and using the OAS preferential treatment to be given to the Dominican Republic, but the extent of the information that I have gotten is that none of the profits or none of the money that comes into this country gets to the people that you say will be benefited.

MR. TATEM. To answer that would be quite a lengthy answer. However, sir, I will try. As I stated in my testimony, the Dominican economy is completely dependent on sugar and without a proper sugar industry or proper prices and markets it has a failing economy. The Government, you well know, has changed quite a bit over the last few years. However, if the Dominican Republic is to survive and is to become a member of our family—our political family, let us say—then the basic economy must be put in order which can only be done by stabilizing the sugar industry. Our high wages and taxes assure that the people are benefited.

THE CHAIRMAN. To what extent is the South Puerto Rico Sugar Co. owned by Americans?

MR. TATEM. It is a U.S. corporation, sir, on the New York Stock Exchange. The majority of the stock certainly is American owned.

THE CHAIRMAN. It is an American corporation?

MR. TATEM. Absolutely. It is incorporated in the United States.

THE CHAIRMAN. Mr. Abernethy.

MR. ABERNETHY. I understand that most of it is consumed domestically and that a certain amount of it comes to the United States. Where does the remainder go?

MR. TATEM. To the distressed world market. That is the only market other than the United States, to which we can sell sugar.

MR. ABERNETHY. For instance, where will it go—could you designate where?

MR. TATEM. It will go to Europe, Japan. And as I pointed out in one case, some of it even went to South Africa.

MR. ABERNETHY. At one time you had a very substantial business in the British market.

MR. TATEM. We have been fortunate in selling a larger amount of sugar to the United States, as our sales to the British market, which is really the clearinghouse for most of the world sugar, had substantially diminished.

MR. ABERNETHY. On an average, what do you get for sugar in Great Britain?

MR. TATEM. Right now the spot price is \$1.75 a hundredweight for any Dominican sugar sold abroad outside the United States.

MR. ABERNETHY. Thank you.

THE CHAIRMAN. That is per hundred pounds?

MR. TATEM. 1.75 cents per pound.

The CHAIRMAN. And your cost of production is what?

Mr. TATEM. About 4.5 cents—a little over.

The CHAIRMAN. Thank you very much.

We will now call on Mr. Arnold Shaw, representing the sugar producers and sugar workers of Peru. Will you please eliminate as much repetition as possible and come right down to the situation in Peru.

We will now be glad to hear you.

STATEMENT OF ARNOLD SHAW, COUNSEL FOR PERUVIAN SUGAR PRODUCERS ASSOCIATION AND FEDERATION OF PERUVIAN WORKERS; ACCOMPANIED BY JAMES P. FREEBORN, VICE PRESIDENT, LATIN AMERICAN GROUP, W. R. GRACE & CO.; AND JULIO CRUZADO, SECRETARY GENERAL, FEDERATION OF PERUVIAN SUGAR WORKERS

Mr. SHAW. Mr. Chairman and members of the committee, you will be pleased to note that my remarks are shorter than anyone who has appeared before me and may set an example for those who follow.

My name is Arnold Shaw, a practicing attorney here in the capital. I have the honor of appearing before you on behalf of the sugar producers and the sugar workers of Peru. Because of the shortness of time, I ask permission to submit for the record a copy of my formal, full-length statement, and I will confine myself to a summary of the highlights.

In view of the importance of this legislation to Peru's sugar workers and their families, they have sent Senor Julio Cruzado, Secretary General of Peru's Confederation of Workers, the equivalent of our AFL-CIO, to Washington to work with me. I take the greatest pleasure in introducing to the committee Mr. Cruzado who is sitting with me now in case you have any questions for him later. And on my left is Mr. James P. Freeborn, vice president of the W. R. Grace & Co., who is here to help me answer technical questions and to interpret for Mr. Cruzado.

At the outset I wish to express our gratitude to President Johnson for his foresighted decision to oppose any additional tariff or import fee on sugar imported into the United States. We also wish to congratulate him for his recent declaration on the occasion of the fourth anniversary of the Alliance for Progress when he said:

We will also try to maintain a regularly expanding market for Latin American sugar.

In view of that most important statement, you can imagine our surprise, Mr. Chairman, when later that same day the executive branch released its draft sugar bill and we discovered that its proposed share of the U.S. foreign quota (ex the Philippines) for the Alliance for Progress nations had dropped from the 77 percent assigned in the 1962 Sugar Act to only 68 percent in the proposed bill.

This is hardly consistent with the President's announced goal of trying to maintain a regularly expanding market for Latin American sugar.

Virtually all Alliance nations would suffer under the new proposal, but the workers and producers of Peru would probably suffer the most. Peru's basic quota would be cut back from 192,000 tons in 1962

to only 101,000 for the next 6 years, putting Peru well below the Dominican and Mexican quotas in spite of their identical treatment under the act since 1957.

And before that, ever since World War II, Peru was the largest of the foreign suppliers to the United States, if one excludes Cuba, which, like the Philippines, enjoyed a special relationship with this country, and I have an attachment explaining this, No. 1. While the quantity Peru shipped during this time was not great, the fact that Peru supplied between 45 and 50 percent of all sugar the United States purchased from these foreign suppliers is not inconsequential.

I would like now to explain why the proposed cutback in the U.S. market would harm Peru more than any other country in Latin America except the Dominican Republic.

Of the 16 Alliance for Progress nations exporting sugar to the United States since the Castro takeover of Cuba (1961-64), the following is true:

(1) Peru ranks second (with Haiti) in the percentage of total exports that are accounted for by sugar.

(2) Peru ranks second in the percentage of her total production which she must sell outside of her own protected home market. The figure is 63 percent, and I have an attachment explaining that, No. 2.

By both tests, only the Dominican Republic is more dependent on the U.S. market than is Peru.

Based on the charts submitted by Mr. Chapman—I do not recall the number—but it has to do with purchases of agricultural products, Peru runs second in that chart, purchasing \$60 million cash for the year ending June 1964. And I might add that Peru does not have a significant income from the U.S. tourists with which to buy the agricultural products we are speaking of.

In addition, the U.S. sugar market is especially important to Peru's sugar workers and their families.

I would like to present for the record a statement by Mr. Julio Cruzado which he brings to us from the sugar workers of Peru, which is in the form of a letter, which I should like to read.

The CHAIRMAN. Who is Mr. Cruzado?

Mr. SHAW. This gentleman is the "George Meany" of the Peruvian labor union. I introduced him at the outset.

The CHAIRMAN. Before you present that statement, what is the average daily wage of a cane cutter in Peru?

Mr. FREEBORN. I can give you an average of the total wages for the workers, including voluntary and legal fringe benefits, it is currently running at just under \$1,700 per year.

The CHAIRMAN. How much?

Mr. FREEBORN. \$1,700 per year annually including all cash and non-cash benefits.

The CHAIRMAN. What is his take-home pay for cutting cane all day? Somebody said it was in the area of 50 cents per day.

Mr. FREEBORN. It is in the area of \$2.

The CHAIRMAN. \$2 a day and not 50 cents. How many hours does he work?

Mr. FREEBORN. He does not have a workout day. They have a special system that they call the tarea. The workload is set by custom and bargaining which involves cutting a number of furrows. They work about 6 hours, or they can work at their own pace.

The CHAIRMAN. And they make about \$2 a day?

Mr. FREEBORN. That is in cash. They have free housing, a measure of food ration, free hospital care, free schools, and recreation and social benefits of this nature, plus special pension laws that are set by the Peruvian Government.

The CHAIRMAN. All right, thank you.

Mr. SHAW (reading Mr. Cruzado's letter) :

CETEPE,
CONFEDERATION DE TRABAJADORES DEL PERU,
August 20, 1965.

Mr. CHAIRMAN : In the name of the one and a half million workers who belong to the Federation of Workers of Peru, and especially on behalf of the 50,000 affiliated workers from the sugar industry, I wish to express to this committee our very deep appreciation for this opportunity to make known to you our great concern at certain aspects of the administration bill to extend the Sugar Act.

Two important factors have contributed to a tremendous increase in the economic progress of the workers employed in the Peruvian sugar industry and their 200,000 dependents.

The first was the Alliance for Progress and its stimulus to the economic and social development of Peru.

The second was the increase in Peru's shipments of sugar to the United States after Castro took over Cuba.

The sugar exports to the United States are the key to the increase in payroll and hospitals and schools and other fringe benefits which represent slightly over 100 percent improvement in the total remuneration in cash and other benefits since 1960.

All of this is gravely threatened by the executive branch proposal for a permanently reduced volume of sugar exports to the United States in the new bill.

Today, there are several union contracts pending renewal. By agreement between management and labor, the bargaining sessions have been put off until further notice, pending the outcome of the U.S. Congress action on the new sugar bill. This delay, plus some early signs of the economic crisis looming for the Peruvian sugar industry, have already stimulated the Communists to work harder to gain influence of organized sugar workers.

Only recently the free and democratic labor movement has lost two major unions to small Communist power groups who have capitalized on the effect on the industry of the reduced quota imposed on Peru in 1965 and the extremely low level of the world sugar price.

We have lost, to the Communists, the union of one of the major estates in the north. This estate is in very severe financial difficulties and struggling to avoid bankruptcy. It could not, of course, continue the annual wage increase which has become customary in the last 5 years in Peru.

The second union taken over recently by Communists is that of one of the major and most socially advanced estates in Peru. This year's wage settlement featured an increase of 9 percent on the average which is still OK, as this estate has other industries which helped to avoid a more severe reduction in the rate of increase of wages. Yet as this represented a slight reduction from last year's increase this was enough for the Communists to convince the rank and file to throw out the leaders of the union and replace them with some of their own faithfuls. To us this is just as serious as if the Communists took over the General Motors or the Ford locals of the United Auto Workers.

That is why, Mr. Chairman, I urge the committee, please to give careful consideration to the broader issues surrounding Peru's current social and economic position, and especially the struggle of the free and democratic labor unions against the Communist elements who seek to conquer organized labor. Any reduction in labor's living standards, purchasing power, or in the level of employment, as a result of a low sugar quota in the United States, would play into the Communists hands and imperil the future development of the free labor movement in Peru.

Respectfully yours,

JULIO CRUZADO,
Secretary General.

Mr. FREEBORN. I may just add that they are employed all year around and there is no migratory labor at all in the industry.

Mr. SHAW. From the foregoing, I think it is clear that the U.S. sugar market is probably more important to Peru than to any other country in Latin America, except the Dominican Republic. It is also more important to Peru than to virtually all nations outside the Alliance, most of which have guaranteed access to other preferential markets.

It is equally true, if I may say so, that Peru is of some importance to the United States—the second test by which one should judge the national interest of the United States in determining quota allocations. Just this week, Under Secretary of State Thomas Mann set forth one significant measure of a nation's importance to the United States when he said there should be—

a direct relationship between U.S. financial assistance and the efforts made by recipient nations towards achieving economic growth and social progress.

Thus the United States has a vital stake in the economic and social transformation now underway in Peru. Some of you may have had occasion to read the cover story article in the March 12 issue of *Time* which documents this. I would like to request that it be made part of the record.

The CHAIRMAN. What is it that you want to make a part of the record?

Mr. SHAW. A copy of the *Time* magazine.

The CHAIRMAN. We cannot put that in the record. We will put it in the files of the committee.

Mr. SHAW. I will accept the chairman's decision.

President Balaunde is rapidly moving Peru's 12 million people toward the achievement of the following: 100,000 new homes by 1970, free education for all, the irrigation of 200,000 desert acres in the north, penetration highways to unlock the riches of the Sierra and the jungle lowlands. His national peace corps Popular Cooperation movement is regarded by senior U.S. officials as a model for the entire continent.

It is this program that Communist-led elements are desperately seeking to disrupt through the terrorist and guerrilla activities in the Sierra and elsewhere. The recent murder of seven Peruvian national guardsmen in the Andes, the explosion of several bombs in downtown Lima, student mobs rioting in the streets, and a 60-day suspension of the Constitution—all attest to the fact that Peru's adversaries are not idle.

Thus the challenge of extremism and the progress of moderation both make South America's third largest nation of considerable importance to the United States.

But the demonstrable importance of Peru to the United States, and the U.S. sugar market to Peru does not dispose of the executive branch's proposal to drastically reduce Peru's sugar quota for the next 6 years. I would like, therefore, to discuss it for a few moments.

In late 1961, the U.S. Government informed foreign producers that increased exports of sugar to the United States in 1964, would have a strong bearing on its recommendations to the Congress concerning future country quotas. The purpose was to assure an adequate supply

of sugar to the United States at a time when, because of the 1962 act's global quota, the United States had inadequate protection against the worldwide shortage and higher world prices which then existed.

Once this offer of extra reward was made, the Government of course had to honor its commitment. But this did not require that shipments in 1964 be given double weight or that 1963-64 shipments would be the only factors considered. Nor did it require that the formula be applied for 6 years or more.

This commitment was never intended, nor understood, to mean this. Such an extensively handsome reward could never be considered a quid pro quo. In fact, since all nations who sacrificed substantially in 1964 have received increased quotas for 1965, they will more than make up, this year alone, whatever they lost in 1964. As the world price of sugar thus far this year has averaged 3 cents less than the U.S. price, foreign producers with increased 1965 quotas will make roughly 3 cents more per pound on their increased 1965 U.S. sales than they would have made if required to sell that increased quantity on the world market. This gain will more than offset whatever financial loss resulted from increased sales to the United States in 1964, as is clearly shown in the attached table (attachment No. 3).

Thus it can be fairly said that the U.S. obligation will be fully met by the close of 1965.

There is only one other reason why certain officials seem to feel that it would be useful to base future country allocations on the 1963-64 performance record. They believe that it is the best basis for determining which nations in the future will be prepared to meet U.S. requirements should the world price again exceed the U.S. price.

But as Under Secretary of Agriculture Schnittker himself testified on Wednesday:

Under the proposed legislation, foreign suppliers would have further incentive to service our market at all times because they would be assured of a price more than double the present world price. The price would be attractive to efficient producers but not so high as to encourage production unduly. Exporting countries would be further encouraged to service our market at all times because nonperformance in any year would be grounds for reducing a country's quota in future years (p. 5).

He further said:

If any country fails to fill its quota, its quota in future years would be reduced except upon a finding of force majeure by the Secretary * * * Thus, countries would have incentive to maintain reserve stock for the U.S. market of the order of 15 percent of their quota (p. 12).

It seems clear, therefore, that the so-called 63-64 formula in the executive branch bill is neither justified in the name of guaranteed future deliveries, nor in the name of a due reward.

The United States, therefore, is once again free to allocate its foreign sugar quota on the basis of its broader national interests.

We have already seen that the U.S. sugar market is more important to Alliance nations than to virtually all nonmembers most of whom enjoy access to other preferential markets.

And within the Alliance, while everyone is equal, we like to think that some are more equal than others. For example: The U.S. sugar market is more important to Peru than to any other Alliance nation except the Dominican Republic.

Added to this is Peru's importance to the United States and her proven capacity over the last several decades to supply U.S. requirements.

Under these circumstances the interests of the United States clearly would not be served by the adoption of the Peruvian quota proposed in the executive branch draft. All relevant facts points to the conclusion that Peru should be preceded only by the Dominican Republic.

If this is done and if the Alliance' share of the U.S. quota is increased justice will be done and the national interests of the United States and all other nations will be served.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Shaw.

The next witness we will call is Mr. Albert S. Nemir, who is accompanied by Herbert C. Hathorn, on behalf of the Sugar and Alcohol Institute of Brazil.

Mr. PURCELL. Could I ask one or two questions of the previous witness?

The CHAIRMAN. Yes.

Mr. PURCELL. Who owns the sugar companies in Peru?

Mr. SHAW. The sugar companies are all privately owned. There are five or six fairly substantial ones, fairly large, and the rest go all the way down to small farms. I believe there are 53 units in all and, approximately 50 percent are owned by the larger companies and the balance are owned by the small ones.

Mr. PURCELL. Are they owned by the citizens of Peru?

Mr. SHAW. All private citizens of Peru, yes; except W. R. Grace & Co., of course.

Mr. FREEBORN. And International Basic Economic Corp. also has a controlling interest in the sugar business.

Mr. SHAW. W. R. Grace & Co. is on the New York Stock Exchange and that would be, of course, owned by American citizens, also, to a great extent.

Mr. PURCELL. I do not know whether you can do so now, but can you give us figures on the various companies. If you cannot do it now, will you place it in the record?

Mr. FREEBORN. I might be able to answer that in some degree, because we do not have an insight into the profit-and-loss statement of all of them.

Mr. PURCELL. Yes, that is what I wanted.

Mr. FREEBORN. One of the major companies is on the verge of bankruptcy at the moment. The Grace Co.'s share of the Peruvian production is about 18 percent. And one of those companies is losing money under its sugar operations. The other one is slightly profitable. I would say that, probably, the loss is representative of the industry as a whole—somewhere between a slight profit and a loss. The reason being, of course, that the sales to the very depressed world market at \$1.75, substantially below the average cost of production. The Peruvian Government made a survey this year with the assistance of representatives of management and labor and arrived at a mean production figure of about 4.52, that is \$4.52, excluding the more conspicuous exchanges, taking the broader spectrum of the cost of production, which was \$4.52.

Mr. PURCELL. Maybe so, but I do not catch on to that very quickly. Maybe you answered my question. You say \$4.52?

Mr. FREEBORN. The cost of production.

Mr. PURCELL. I am not a mathematician but I can read figures. Can you just give me some figures?

Mr. FREEBORN. I can give you the projected figures.

Mr. SHAW. We will be very glad to submit them.

Mr. FREEBORN. We can do that for our two companies, anyway. I could give them to you now. One of them is projected to lose \$500,000 on sugar this calendar year, and the other one to make a profit of \$385,000, which is a return on investment which is completely negligible.

Mr. PURCELL. I do not mean to ask you to do it now, but can you give us a figure on U.S. aid to Peru?

Mr. FREEBORN. Yes, I can do that. I will be glad to do so.

Mr. SHAW. We will be very happy to do so.

(The information follows:)

W. R. GRACE & Co.,
New York, N.Y., August 24, 1965.

Mr. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR MR. COOLEY: During the course of my appearance before your committee on H.R. 10496, I was asked to supply for the record certain information concerning ownership and earnings of Peruvian sugar companies. The information follows:

1. *Ownership.*—Of the 53 Peruvian sugar producers, there are 10 large producers (over 70,000 tons per year), 5 medium (between 5,000 and 20,000 tons), and 38 small (less than 5,000 tons) sugar estates employing approximately 50,000 workers. In terms of production, 72 percent of the Peruvian sugar industry is owned by Peruvian companies. The W. R. Grace Estates accounted for 18 percent and those of International Basic Economy Corp. 4.7 percent.

2. *Earnings.*—No precise figures are available on Peruvian sugar industry overall earnings but it is generally known that virtually all producers are in a loss position for the year 1965 to date and are forecast to lose money for the entire year.

One of the major estates is in virtual bankruptcy and is negotiating with the Peruvian Government for special tax relief and with its creditors for a moratorium on its obligations.

Figures are available with respect to the three sugar estates which are controlled by U.S. interests.

Negociacion Azucarera Nepena S.A., in which the International Basic Economy Corp. has a major interest, lost \$581,000 in the first 7 months of 1965 and estimates a loss for the entire year of approximately \$800,000 on forecast production of 42,500 tons. Total capital employed in the company is \$4.2 million.

The two estates owned by W. R. Grace & Co. are projected to lose \$151,000 in 1965 on total gross assets of \$46.8 million:

A. Soc. Paramonga Ltda. lost \$316,000 between January and July. It forecasts a \$536,000 loss for the year 1965. Gross assets are \$21.3 million.

B. Cartavio S.A. to date has profits of \$230,000 and projects earnings of \$385,000 for the entire year. The gross assets of the company are \$25.5 million.

The two major factors causing these losses are:

(a) Increases in the cost of production. In the case of the Grace Estates, total cost of production rose by about 60 percent over the last 3 years. Labor costs, which represent over one-half of the total production costs, rose by 142 percent since 1960. In 1964 total labor costs represented 49 percent of net sales. For 1965, labor costs are estimated at 61.5 percent of projected net sales.

(b) The disastrous drop in the world sugar prices which are now at a post-World War II low of \$1.75 per 100 pounds.

I hope that the foregoing information will be helpful to the committee.

Sincerely,

JAMES P. FREEBORN.

U.S. economic assistance to Alliance for Progress nations—1 year, July 1, 1964–June 30, 1965, including loans, grants, technical aid, Peace Corps and food for peace

Brazil-----	\$546,500,000	Panama-----	\$31,400,000
Chile-----	242,600,000	Argentina-----	29,800,000
Mexico-----	231,900,000	El Salvador-----	27,800,000
Dominican Republic-----	159,600,000	Costa Rica-----	25,700,000
Colombia-----	58,800,000	Guatemala-----	23,000,000
Equador-----	54,100,000	Paraguay-----	14,900,000
Venezuela-----	50,900,000	Honduras-----	7,800,000
Peru-----	50,700,000	Haiti-----	4,600,000
Nicaragua-----	40,800,000	Uruguay-----	4,200,000
Bolivia-----	32,900,000		

Mr. PURCELL. I would like to add there this. As you know, I have traveled over the country pretty extensively helping the American farmers. And we have found few American farmers that are making money, and I have not found anybody out in the agricultural districts that is making money. And I have not seen anybody here today in rags. It seems inconsistent to me that nobody has any money, and yet they seem to be able to travel halfway around the world and to come to town. And these American farmers come to Washington, not by ones or twos, but by droves. I am interested in figuring out how come.

Mr. DE LA GARZA. May I ask one question?

The CHAIRMAN. We have about 40 more witnesses. But go ahead. I do not mean to cut you off.

Mr. DE LA GARZA. Due to the fact that the gentleman comes here representing the Peruvian Confederation of Workers, their secretary general, I would just like, if I might, to ask him a question in Spanish.

The CHAIRMAN. Go ahead.

Mr. DE LA GARZA. (In Spanish.) It is an honor to receive in this committee the secretary general of the Confederation of Workers of Peru and we welcome you here. And when you return to your country, carry warm greetings to your colleagues and tell them in spite of what they may have heard, most of us are on your side.

Mr. CRUZADO. (In Spanish.) The organized workers of Peru recognize their historical duty to preserve the essential liberties which are the best bastions of defense of democracy.

Whatever this committee can do to help resolve the problems of my people, the workers of my country will be most grateful.

(The statement of Mr. Shaw follows:)

STATEMENT OF ARNOLD F. SHAW ON BEHALF OF THE PERUVIAN SUGAR PRODUCERS' ASSOCIATION AND THE FEDERATION OF WORKERS OF PERU

INTRODUCTION

Mr. Chairman and members of the committee, my name is Arnold Shaw. I am a practicing attorney in Washington, D.C. I appear as counsel to the Peruvian Sugar Producers' Association and to the Federation of Workers of Peru.

The Peruvian Sugar Producers' Association is a trade association located in Lima, Peru. This voluntary organization has no connection with the Government of Peru and receives no Government subsidy. Therefore, I represent

businessmen in Peru who pay taxes to their Government and wages to their employees so that the country of Peru and its people have a vital interest in the legislation under consideration.

The Confederacion de Trabajadores Azucareros, the Peruvian Sugar Workers' Federation, is an association grouping the free trade unions to which the workers in virtually all the sugar estates of Peru are affiliated. This Peruvian Federation of Sugar Workers is in turn affiliated with the Confederacion de Trabajadores del Peru, the local equivalent to our own AFL-CIO, one of the free world's most vigorous and progressive labor organizations.

I am pleased to introduce to this committee Señor Julio Cruzado, secretary general of the Peruvian Workers' Federation, the leader of all organized labor in Peru.

In January of this year Señor Cruzado led a group of union leaders from the Federation of Sugar Workers who visited Washington to express their concern at the trend which they foresaw in the U.S. sugar legislation. They invited representatives of the Peruvian Sugar Producers Association to join them in a combined labor-management team to visit the U.S. Departments of State, Agriculture, and Labor, Members of Congress, including the distinguished chairman of the House Committee on Agriculture; the Inter-American Committee for the Alliance for Progress and the AFL-CIO and inform themselves as to the prospects for Peru under the new Sugar Act and inform these officials of their country's problems. In addition to assisting us in preparing this brief, the secretary general of the Peruvian Workers' Federation wishes to express directly the concern of its members and especially that of the Peruvian sugar workers in a letter addressed to the honorable chairman of this committee which I will beg him to include in the record of these hearings.

The Honorable Leonidas Cruzado, secretary general of the Peruvian Sugar Workers' Federation, attended the 1961 hearings. He has since then been elected to the Peruvian Senate representing one of the major sugar producing regions in Peru. It is a tribute to the vigor and effectiveness of the democratic process in Peru that a man like Mr. Cruzado, who worked for years as a sugar-boiling-house operator in Peruvian sugar mills, has risen to be one of the leading members of the senate of his country. Unfortunately, the demands of his senatorial obligations prevents him being present today at these hearings.

By the way, Mr. Chairman, the Messrs. Cruzado are not related to one another.

Before addressing myself to my assignment here in representation of the Peruvian sugar industry and labor, I would like to express on their behalf Peru's admiration for the outstanding speech of the President of the United States on the occasion of the celebration of the fourth anniversary of the Alliance for Progress. I know that people in all walks of life throughout the Americas will respond very warmly to the hopes expressed by the President for greater economic freedom and social justice for the underprivileged of the Western Hemisphere.

We wish to pay particular tribute to the very statesmanlike considerations which caused the President to propose that the Congress of the United States eliminate the special import fee on sugar which would have made the U.S. market virtually unremunerative for the average producer in Latin America. We express the fervent hope that both Houses of Congress will agree that the national interest of the United States makes it imperative that sugar legislation as finally enacted by the Congress does not include such a measure which would be so damaging to the economies of the producer nations.

The workers and producers of the Peruvian sugar industry also are extremely pleased with the statement of policy expressed by President Johnson with respect to the U.S. desire to expand the market for Latin American sugar which is a mainstay of the economies of the countries of Latin America.

It, therefore, came as a great shock for us to note that under the proposed distribution formula in the administration's bill the OAS countries received only 68 percent of all U.S. foreign sugar imports (excluding the Philippines) versus 77 percent under the quota distribution provided for in the Sugar Act of 1962. This is hardly consistent with President Johnson's declaration on Tuesday that the United States "will also try to maintain a regularly expanding market for Latin American sugar."

In the testimony which he presented so eloquently before this committee earlier today, my distinguished colleague, Mr. Oscar Chapman, presented brilliantly the case for a greater share of the U.S. sugar market for Latin American

producers who are members of the OAS. The Peruvian sugar producers and the Peruvian workers associate themselves completely with the views expressed by Mr. Chapman.

The workers and producers whom I represent and, of course, the Peruvian Government were even more shocked at the reduction in Peru's participation in the U.S. market under the administration's bill. We are aware that this does not result from a desire to discriminate in any way against Peru and its sugar industry, but is the result of the mechanical application of the mathematical formula used for the establishment of country quotas for 1965 which the administration proposes to perpetuate for at least 5 years, if not more.

I will address myself to the negative aspects of this formula at a later point in my statement. However, I would like first to describe the importance to the United States of Peru at this moment in history.

The importance of Peru to the United States

We noted with great interest a statement of Under Secretary of State Thomas Mann quoted in the New York Times of August 17, 1965. The Under Secretary proposed in Brazil last week that there should be "a direct relationship between U.S. financial assistance and the efforts made by recipient nations toward achieving economic growth and social progress."

We are in wholehearted agreement with this as one important standard for determining the importance of a nation to the United States from the point of view of U.S. economic assistance.

In fact, since trade is far more effective than aid in this respect and since sugar trade must of necessity be allocated by country quotas, we strongly recommend that this same standard be applied in determining country sugar quotas.

The United States has a vital stake in the success of the economic and social transformation now underway in Peru. Some of you may have had occasion to read the cover story in the March 21 issue of Time which dealt with what was termed as a "new conquest" in Peru.

The Time article sets forth Peru's enormous economic and social progress under the dynamic leadership of President Belaunde whose programs have awakened great hopes in the hearts of the Peruvian people. I would like to request that it be made part of the record of these hearings.

President Belaunde has set Peru's goals very high: 100,000 new homes by 1970; free education for all; the irrigation of 200,000 desert acres in the north; penetration highways to unlock the riches of the Sierra and of the jungle lowlands, just to name a few of his major objectives. Peru is leading its neighboring countries in a project to build a 3,500 mile marginal highway on the eastern slopes of the Andes.

The country is carrying out its own version of the Great Society and the antipoverty program. It has a national peace corps through its popular cooperation movement. This is certainly one of the greatest self-help efforts in the history of the Americas and senior U.S. officials have recently indicated that they regard it as a model operation to be emulated wherever possible throughout the hemisphere.

This is the program that the Communist-led elements are seeking to tackle head on through the terrorist and guerrilla activities in the Sierra which led to the recent murder of seven Peruvian national guardsmen and a 60-day suspension of constitutional rights.

In sharing with the United States the ideals of making a better life for its people, Peru has naturally invited attacks from those behind the Iron, Bamboo, and Sugarcane Curtains who work for the frustration and demise of the Alliance for Progress. This fact, if nothing else, should convince the United States that the success of Peru's economic and social forward drive is vital. The people of Peru need and welcome, of course, only positive assistance to their great endeavor, and in considering the most effective form of this needed assistance it is impossible to choose between aid and trade.

Suffice it to say that aid as it is conceived today simply cannot do the whole job or even the largest part of it. Aid is only a very small part of the total armament that must be brought to bear on the economic and social problems of Peru and other developing countries of Latin America. Trade is a much bigger weapon. The total volume of trade between the Americas—\$7 billion in 1964—dwarfs the size of our overall aid programs to Latin America which totaled only \$318 million in the same year.

Per capita, the amount of aid is insignificant—\$1.43 per person in Latin America in 1964 versus the average of \$30.31 per capita per annum we spent in re-

building Great Britain during the years of the Marshall plan, and the \$27.33 we spent in Greece for the same purpose, not to mention the \$18.47 per capita spent on rebuilding the economy of Germany, our defeated enemy.

Aid alone therefore will never do the job. At best, it can serve importantly as an economic catalyst to the rest of the nations of Latin America. The real job of development has to be done by trade and by the Latin American countries themselves; their governments, and most especially the private sector.

The importance of the U.S. sugar market to Peru

The Peruvian sugar industry grouping 53 large, medium, and small sugar producers is a vigorous member of Peru's private sector. It is a large-scale employer and a substantial taxpayer. It is not subsidized in any way. On the contrary it pays more taxes than other industries in Peru and in addition bears the cost of social facilities such as schools and hospitals which are furnished free out of tax revenue to other industries. As the country's oldest major economic activity, traditionally it has been a source of investment capital for the other sectors of the Peruvian economy. Obviously, curtailing the export income of the Peruvian sugar industry and the Government's assured and predictable tax income from sugar exports to the United States will put the Government's programs under the Alliance for Progress in serious jeopardy.

The nation that ranks next to the Dominican Republic in terms of the importance of the U.S. sugar market to her welfare is quite clearly Peru:

1. Sugar exports for 1961-64 were 11 percent of total Peruvian exports, the second highest in Latin America (with Haiti).
2. Of total exports, 17.5 percent were sold at risk on the world market, again the second highest in Latin America.
3. Only 36.8 percent of Peru's total sugar production was sold in a protected home market, again the second lowest among OAS producers. (See attachment.)

In addition, Peru's economy is still heavily dependent upon agriculture with over half the total working population deriving its livelihood from agricultural activity; about 20 percent of its gross national product is derived from agriculture. It is primarily an exporting country; 23 percent of its gross national product is generated by its exports. Sugar is the second largest of its agricultural exports.

Some 50,000 workers are directly employed in the Peruvian sugar industry and they support in turn some 200,000 family members and indirectly normally as much as 300,000 workers in supporting our allied activities. This is why I am appearing before you today not only on behalf of the sugar producers of Peru but also on behalf of the Federation of Workers of Peru, a vital element in Peruvian organized labor and one of the most progressive unions in Latin America.

While I am not representing the Peruvian Government at these hearings, I should also point out that it has a vital stake in Peru's exports to the U.S. market because the sugar industry paid slightly over \$20 million in taxes in 1964, or 3.3 percent of the total budget for the Central Government of Peru for that year.

The Peruvian sugar industry's standards of employment are among the highest in the nation and are by far the most favorable in all of Peruvian agriculture. This is the result of long days and weeks of arduous negotiations each year between the producers and the very vigorous sugar workers' unions—a democratic process which compares most favorably with the standards of the United States in this area. The experts on Latin America of the AFL-CIO who maintain a close contact with the labor situation in Peru and the union leadership can bear witness to this fact, I am sure.

The Peruvian sugar worker is the highest paid agricultural worker in Peru. He earns somewhere between three and six times the national average agricultural wage. His wages and benefits put him on a par with the highest paid industrial workers. In addition, he enjoys many recreational and educational advantages not available to the rest of the country's farm labor. Virtually 100 percent of the work force is employed the year around and there is little or no migratory labor employed in the production of sugar in Peru.

Peru is above all a free enterprise country, its most vigorous advocate in Latin America. The respective roles of the Government and of private enterprise in the country's development have been sharply defined on lines which reflect the same philosophies as those of the United States. In these as in many more respects the Peruvian way of life resembles our own in this country.

That is why the United States cannot fail to contribute in every way to the success of this model experiment on democratic progress which promises to fulfill more successfully the goals of the Alliance for Progress than in any country in Latin America. In effect it should become the showcase for the Alliance for Progress.

That is why the United States must not curtail in any way the trade which is the bulwark of the Peruvian economy.

That is why the national interest of the United States requires the assurance to Peru of a fair and substantial share of its sugar market.

In thus fostering Peru's trade, the United States will be able to minimize the need for aid which will not only be of benefit to the U.S. taxpayer, but, if I may say so, will also lighten to a modest degree the legislative burden on the hard-working members of the U.S. Congress who must deal each year with the complexities of the aid program.

Echoing, therefore, Mr. Mann's concept that the United States will help those who will help themselves, it would seem that Peru would deserve special consideration with respect to economic assistance from the United States. We all agree, I am sure, that this assistance should best be rendered in the form of trade and not of aid.

The special relationship between the people of the Americas; the common goals that are pursued in the United States and the countries to the south; the special concern of the United States for the welfare of Latin America which helped give birth to the Alliance for Progress; and, last but not least, the preoccupation expressed by the President for the future market for Latin American products—none of these factors are adequately reflected in the provisions in the administration's bill governing United States sugar imports from Latin America.

There are those who continue to believe that the United States national interest requires some special treatment for Latin American raw materials and agricultural products in the United States. This led the OAS member countries that produce sugar to vote unanimously on a resolution on April 21, 1965, requesting that the United States consider reserving 90 percent of its foreign sugar imports, exclusive of the Philippines, for the Latin American countries that are members of the OAS. This percentage is in keeping with the past record.

Prior to Cuba falling into the Communist hands, well over 90 percent of the United States imports of foreign sugar used to come from Latin America. There was in effect, therefore, at that time, a massive market in the United States for Latin American sugar. The administration's bill does nothing to reestablish that preference. On the contrary, as I mentioned previously, Latin America's relative participation in the United States sugar market will decline sharply from 77 percent under the proposed bill. In fact, virtually every Latin American country would suffer a sharp cutback in its basic quota compared to 1962.

In contrast, the majority of supplier countries outside Latin America have increased quotas under the administration's bill and there are newcomers that had no quotas under the 1962 Sugar Act and previous legislation. Furthermore, a number of these countries who received a statutory quota under this bill, or whose quotas have been increased, are members of the British Commonwealth or the French community. They enjoy preferential markets in the United Kingdom and France. Those that sell to the United Kingdom receive approximately the equivalent of the average United States market price, while those that sell to France are paid, I understand, somewhere between 7 and 8 cents a pound for their sugar. It is difficult for us to understand the equity of assuring these producers a second preferential market in competition with Latin American producers when the latter are given no preferential treatment in the United Kingdom or in France.

Not only did virtually all Latin American countries suffer a cutback, but Peru was cut back far more than any other to the prejudice of the producers, the union members and the national treasury.

A reduced quota for Peru is not justified

Under the 1962 act Peru was treated on an equal basis with the Dominican Republic and Mexico. All three countries were allocated the same 6.71 percent in the proration of the foreign imports. Under the 1955 act and prior legislation, the Peruvian quota was superior to that given to both Mexico and the Dominican Republic. Peru used to supply between 45 and 50 percent of all foreign sugar imported into the United States from World War II to 1957 (excluding such nations as Cuba and the Philippines which had a privileged position both as

to tonnage and as to duty). Peru, therefore, has a historic position as a major supplier to the United States.

Under the proposed bill and after reallocating the Cuban quota, the Peruvian quota would work out at 240,824 tons versus 390,135 tons for Mexico and 385,854 tons for the Dominican Republic, at a level of U.S. sugar consumption of 9.7 million tons per annum. Bearing in mind the economic distress in which the latter country finds itself today and the fact that sugar traditionally represents over 50 percent of the Dominican Republic's total exports, the Peruvian sugar industry recognizes that the Dominican Republic has a claim to a slightly larger quota among the OAS sugar-supplying countries. We also recognize the special geographic position of Mexico and the economic and social significance of its sugar production.

Under the proposed bill Peru's quota would be 38.3 percent less than that of the Dominican Republic. Yet, its 5-year record of exports to the United States shows that Peru exported only 24.8 percent less to the United States than the Dominican Republic.

The bill gives Peru a quota of 37.6 percent lower than Mexico's, whereas the latter exported only 9 percent more to the United States than Peru. Sugar represents 11 percent of Peru's total exports versus 6.4 percent in the case of Mexico. Peru's sugar industry is far more dependent on export than Mexico's. Mexico consumed three-fourths of its sugar internally, whereas Peru only consumes a little over a third. Fluctuations in the export market, therefore, have a tremendous leverage on the economy of the Peruvian sugar industry, whereas a relatively modest price increase on the domestic market of Mexico can offset any loss suffered by Mexico's industry in the export market.

A combination of these factors leave the Peruvian industry with the feeling that they were unfairly treated in being relegated to the position as a supplier of sugar to the United States so markedly inferior to that of the Dominican Republic and Mexico.

That Peru's labor unions recognize the importance of sugar to the welfare of their members, the stability of their country's economy and its ability to resist communism, is evidenced by these comments from the memorandum which the Peruvian Federation of Workers addressed to various U.S. Government agencies and other parties whom Mr. Cruzado visited in January of this year:

"Peru's successful drive to drastically reduce Communist influence in her labor unions and to lead the hemisphere's opposition to Castro also warrants recognition.

"Past experience has demonstrated that the great bulk of additional income generated by increased sugar sales to the United States is plowed back into Peru for constructive purposes through company expenditures for schools, housing, health, and expanded plant and equipment and through increased Peruvian Government revenues produced by export and corporate income taxes."

The main beneficiary of the increased U.S. sugar quota received by Peru has been organized labor. For instance, from 1960 to date the total cost of labor and wage benefits in some of the major sugar estates has gone up by 139.3 percent or at the average annual rate of increase of 19 percent. If the 1965 act rolls back Peru's quotas to the levels existing prior to the fall of Cuba, we will not be able to maintain the same high wages and benefits now in existence in the Peruvian sugar industry.

We all know that the U.S. sugar legislation in the past has had the interest of the consuming public as its primary preoccupation. It has not been necessarily an instrument of foreign policy. The same may not be said, of course, of the administration's bill with its broader discretionary powers to cancel quotas or suspend imports.

However, we cannot but note the very limited considerations used in calculating the 1965 quotas in the absence of the usual careful study and review by the appropriate committees of the Congress. The special conditions that prevailed last year presented the usual thorough scrutiny by the very experienced members of this committee. We regret, therefore, that the 1965 formula is used as the basis for the proration of foreign sugar imports in the new bill which will run until 1971. This will be to the detriment of Latin America as a whole and especially of the Peruvian sugar industry.

We are well aware of the reasons why Peru fared so badly under this formula.

Foremost is that the complex and unpredictable mechanism of the Sugar Act of 1962 was detrimental to Peru's performance as a supplier of sugar.

Peru has completely free marketing with each producer selling his own sugar—the Government does not intervene. There is no single seller or bureaucratic marketing organization. Its seasonal crop pattern did not match the scheduling of imports under the global quota system.

Peru traditionally has no carryover stocks. In addition, the 1 million tons of global quota authorized by the U.S. Department of Agriculture for 1964 was authorized early in the year. And, under Sugar Regulation No. 317, chapter VII, title 7 of the U.S. Department of Agriculture Agricultural Stabilization and Conservation Service, the set-asides for the global quota had to be filed "not more than 95 days before the departure date and not more than 140 days prior to the importation date in the continental United States." Therefore, because Peru's sugar production cycle is such that only about a third of its annual production is available in the first half of the year, it was impossible for Peru to make as good a showing as many other nations. The global quota was closed before much of Peru's sugar was available.

These were some of the key factors which contributed in great measure to Peru's relatively lower exports in 1964. Long-range planning by each producer under a more predictable quota system than the unlamented global quota system would have helped performance immeasurably.

If the 1965 formula aims to reward those who shipped heavily in 1964 for the loss of the differential between the U.S. market and world price when the latter was higher, then the purpose was well and truly achieved in 1965.

It is quite certain that those foreign producers who found themselves in a position to increase their U.S. shipments during the first half of 1964 would for the next 6 years or more receive an increased U.S. quota, irrespective of other factors affecting the U.S. national interest. I say 6 years or more because once such quotas are in effect for 6 years they tend to become permanent.

Such an arrangement could never be considered a quid pro quo. In fact it would be one of the most one-sided commercial agreements in recorded history. And yet this single-factor formula is the sole factor for the determination of the administration's quota recommendations for the new sugar legislation which will run for the 6 years starting with January 1, 1965.

This is true in spite of the fact that those countries receiving increased quotas for 1965 will more than make up this year alone whatever they lost by selling to the United States rather than to the world market in 1964. The world price of sugar thus far this year has averaged less than 2½ cents and the U.S. price for foreign sugar has averaged over 5½ cents after deducting the duty, freight, and insurance.

Foreign producers with increased 1965 quotas can therefore be expected to make roughly 3 cents more per pound on their increased 1965 sales to the United States than they would have made if required to sell on the world market. This gain will more than offset whatever financial loss resulted from increased sales to the United States in 1964, as is shown in attachment 3.

Thus the measurable quid pro quo will have been more than met by the close of 1965. It may be that the countries which increased their sugar sales to the United States in 1964 expected to receive an increased quota for more than 1 year as their reward. But they also expected the world market to remain at a reasonable price level, and this has not been the case. Thus it could be fairly stated that the obligation of the United States will be freely met by the close of 1965. The United States will then be free once again to pursue its own broader national interest in allocating country quotas.

There is only one other reason why certain officials seem to feel that it would be useful to base future country allocation on the 1963-64 performance record. They believe that it is the best basis for determining which nations in the future will be prepared to meet U.S. requirements should the world price again exceed the U.S. price. As one of them put it, "Since the U.S. Government has no power to require foreign countries to sell to the United States in time of shortage, the United States cannot merely say thank you and goodbye to those nations who came to its rescue at such a time."

This implies that there is no better way to assure an adequate U.S. supply than by the continuance of the "1963-64 formula" as the sole basis for allocating quotas over the next 5 years.

However, many officials and most experts believe that it would be far more effective to have a new Sugar Act with increased basic quotas but provide the same economic sanctions such as in the administration bill to assure fulfillment of these quotas. The sanctions would assure an adequate supply.

They would be the stick to go with the carrot represented by the average historical differential between the U.S. and world market price. It is certainly not in the best interest of the United States to be so unforgiving as to perpetuate ad infinitum the discriminatory and often punitive 1963-64 formula.

A formula more responsive to the broader national interest of the United States and the economic welfare of Latin America is imperative.

This formula should be based on the following two factors of overriding importance.

First, the allocation of the foreign quota should be done in an orderly manner providing certainty for 5 years or more in order to assure an adequate supply of sugar to American users over the years and at a reasonable price. This has always been the basic purpose of the act.

Second, the allocation of the foreign quota should take into account the importance of a nation or region to the United States and the importance of the U.S. sugar market to that nation or region. Over the years, until recent deviations from past administrative norms, this second factor was one important test of how the foreign quota was in fact allocated. It is hoped that this year the Congress will once again restore this standard to its rightful and proud place as a defender of U.S. national interest.

A mathematical formula which combined these two factors and then maximizes the national interest of the United States will not be easy to find. But as Chairman Cooley has said time and again, the one place you will not find it is in the proposal which takes into account only shipments of sugar in the United States in 1963 and 1964, with double weight given to 1964.

One can and one must hope for the return of Cuba to the Western Hemisphere community of free nations. The quota provisions of the administration bill must therefore be judged in this context. The Latin American sugar-producing countries' sugar economies must not be made dependent for a fair share of the U.S. market upon the continued dominations of Cuba by the Communists; it would certainly not be in harmony with the hemisphere's common effort to resist the attempt of the Communist countries to enlarge their foothold in Latin America.

Considering the continued downward trend in the Sugar Acts of 1955 and 1962 and under the 1965 bill of Peru's basic quota, that is of the quota Peru can count on without benefiting from Cuba's present distress, there are reasons for Peru to be downhearted.

The table which follows shows the basic quota of Mexico, the Dominican Republic, and Peru, under the 1955-62 accounts as well as under the administration bill:

[In tons]

Country	1955	1962	1965	Including (December 1965 versus 1955)	1965 versus 1962
Mexico.....	13,500	190,000	162,946	149,446	(27,054)
Dominican Republic.....	32,750	190,000	164,750	132,000	(25,250)
Peru.....	56,000	190,000	101,700	45,700	(88,300)

As will be seen, Peru, which has had a higher quota in 1955 now will have the lowest of the three countries. Her basic quota of 101,700 tons would compare with the 451,470-ton average shipments in 1960-64.

Over the period 1955-65, its quota would have increased by only 81.6 percent against 110 percent for Mexico and 400 percent for the Dominican Republic.

Comparing the 1965 bill to the 1962 act, it is proposed to cut Peru back by 88,300 tons or 46.5 percent whereas Mexico is reduced only 14.3 percent and the Dominican Republic 13.3 percent.

CONCLUSION

We have already seen that the U.S. sugar market is more important to Alliance nations than to virtually all nonmembers, most of whom enjoy access to other preferential markets.

And within the Alliance, while everyone is equal, we like to think that some are more equal than others. For example; the U.S. sugar market is more important to Peru than to any other Alliance nation except the Dominican Republic.

Added to this is Peru's importance to the United States and her proven capacity over the last several decades to supply U.S. requirements.

Under these circumstances the interests of the United States clearly would not be served by the adoption of the Peruvian quota proposed in the executive branch draft. All relevant facts point to the conclusion that Peru should be preceded only by the Dominican Republic.

If this is done and if the Alliance's share of the U.S. quota is increased justice will be done and the national interests of the United States and all other nations will be served.

Thank you.

*U.S. sugar imports from Peru*¹

[Attachment No. 1]

Year	Peru charges against quota	Total foreign charges against quota	Peru as per- cent of foreign quota
	<i>Short tons</i>	<i>Short tons</i>	
1934.....	8,017	29,750	26.95
1935.....	5,539	10,977	50.46
1936.....	5,557	29,024	19.15
1937.....	53,573	89,155	60.09
1938.....	56,256	75,114	74.89
1939.....	38,599	62,021	62.24
1940.....	13,250	17,336	76.43
1941.....	108,808	189,934	57.29
1942.....	6,097	39,235	15.54
1943.....	2,021	113,923	1.8
1944.....	(2)	106,010	(2)
1945.....	36,106	87,416	41.30
1946.....	46,353	46,353	100.00
1947.....	41,397	44,732	92.54
1948.....	25,385	61,892	41.01
1949.....	21,589	51,565	41.87
1950.....	30,733	61,396	50.06
1951.....	(3)	12,666	(3)
1952.....	22,810	50,767	44.93
1953.....	53,891	111,011	48.55
1954.....	55,364	113,264	48.88
1955.....	55,663	118,524	46.96
1956.....	59,077	126,667	46.64
1957.....	80,093	217,272	36.86
1958.....	86,867	278,698	31.17
1959.....	95,527	278,665	34.28
1960.....	138,827	432,553	32.09

¹ The data do not include Cuba, Philippines, domestic beet, mainland cane, Hawaii, Puerto Rico, Virgin Islands. When sugar quotas were in effect, data are final charges against sugar quotas. Quotas were not in effect Sept. 11, 1939, to Dec. 26, 1939, and Apr. 22, 1942, to Dec. 31, 1947—data for these periods are total quantities entered from offshore areas.

² In wartime 1944 there was no U.S. quota system in effect and no shipping space was allocated to Peru for shipment of sugar to the United States.

³ In 1951 Peru shipped its quota equivalent to 21,131 short tons to the United States, but United States refiners made the unilateral decision to reexport this and other imported sugar so that no charge was made against the Peruvian quota.

Source: Sugar Statistics and Related Data (U.S. Department of Agriculture), vol. 1 (1961), p. 159.

Average 1961-64

[Attachment No. 2]

Country	Metric tons, raw value			Percent of production consumed domestically	Percent of production exported, preferential market	Total percent of production consumed domestically and exported to preferential markets
	Production, 1961-64	Domestic consumption, 1961-64	Exports to preferential markets, 1961-64			
United Kingdom.....	(1)					
Canada ¹	569,978	3,420,931		600.2		600.2
Netherlands ¹	2,144,657	2,801,394		130.6		130.6
Ireland ¹	555,653	667,563	20,950	120.1	3.8	123.9
Venezuela.....	1,095,599	1,035,748		94.5		94.5
Argentina.....	3,453,097	3,159,491		91.5		91.5
India.....	11,466,132	10,395,346	40,664	90.6	.34	90.9
Brazil.....	12,054,644	10,868,830		90.2		90.2
Colombia.....	1,559,715	1,401,420		89.9		89.9
Reunion.....	906,332	29,588	766,813	3.3	84.6	87.9
Paraguay.....	156,465	139,548		87.7		87.7
Belgium.....	1,652,070	1,407,345		85.2		85.2
Mauritius.....	2,291,250	109,255	1,701,044	4.8	74.1	78.9
Guatemala.....	482,198	333,294		77.8		77.8
British Honduras.....	116,699	9,693	81,951	8.3	70.2	78.5
France.....	8,119,273	6,314,897		77.8		77.8
Mexico.....	6,707,612	5,143,671		76.6		76.6
South Africa.....	4,774,610	2,814,312	715,246	59.3	15.7	75.0
Turkey.....	2,200,418	1,648,305		74.9		74.9
French West Indies.....	1,033,782	52,037	719,992	5.0	69.6	74.6
Panama.....	90,602	74,452		70.9		70.9
El Salvador.....	247,363	175,361		70.9		70.9
Ecuador.....	568,815	387,264		68.1		68.1
Malagasy.....	395,913	155,778	120,289	36.7	30.6	67.3
British West Indies and British Guiana.....	2,211,327	178,842	1,215,874	8.1	55.0	63.1
Australia.....	6,808,013	2,321,886	1,626,899	34.1	23.9	58.0
Costa Rica.....	314,199	177,131		56.4		56.4
Fiji.....	1,035,311	64,764	505,186	6.3	48.8	55.1
Nicaragua.....	346,388	188,129		54.2		54.2
Haiti.....	272,000	143,575		52.8		52.8
Peru.....	3,131,543	1,151,501		36.8		36.8
China (Taiwan).....	3,268,942	497,658		15.2		15.2
Dominican Republic.....	3,405,875	418,530		12.3		12.3
Southern Rhodesia.....	(2)					

¹ Net import country.² Not available.

[Attachment No. 3]

ESTIMATE OF LOSSES IN 1964 AND GAINS IN 1965 FOR COUNTRIES MAKING ABOVE-AVERAGE SHIPMENTS OF SUGAR TO THE UNITED STATES IN 1964

The attached table estimates that, under the formulation explained in the accompanying footnotes, those nations which most lost money by making above-average shipments to the United States in 1964 will have more than made up for these losses by the end of 1965. This is because these same nations are being permitted to make above-average sales to the United States in 1965, at a time when the U.S. price is well in excess of the world price. Thus as the table shows the additional sums earned in 1965 more than offset estimated losses in 1964.

NOTES TO ATTACHED TABLE

This table only includes those countries which made above-average shipments of sugar to the United States in 1964 and thus may claim to have suffered financially by supplying sugar to the United States. Losses for 1964 were calculated for those countries by comparing their 1964 shipments with their 1964 basic quotas. The excess amount shipped in 1964 over 1964 basic quota has been considered the amount of sacrifice; that is, the greater than required amount sold to the United States to meet its needs at a time when the U.S. price was lower than the world price.

The differential between the U.S. price and the world price in 1964 was determined by taking the average price for the first 6 months of 1964. This time period was selected for the reason that it was during this period primarily that sales to the United States were committed. It is, of course, not possible to determine exactly the loss since exact sales prices cannot be determined regardless whether sales were made at average prices or at a fixed price. The problem with gaging the loss is further complicated by the fact that if those countries had sold on the world market instead of on the U.S. market in an effort to obtain the higher world market price, no doubt such efforts would have resulted in a lower world price. It does appear, however, a fair gage to select 1964 first 6 month averages as a basis of establishing the amount of money lost by those nations selling more than normal amounts to the United States.

As in the case of calculating sacrifice, gains in 1965 are established by taking the difference between the 1964 basic quotas and the 1965 quotas, which were established by the Department of Agriculture, by use of a formula designed to reward nations shipping to the United States in 1964. The dollar amount of the gain in 1965 has been calculated by taking the average price differential for the first 6 months of 1965. This has been selected, again, as an estimate, consistent with the price formula used in calculating losses for 1964.

Estimated losses, 1964, and estimated gains in 1965 on sales of sugar to the United States resulting from the difference between U.S. and world prices

Country	1964 quota	1964 ship-ments to United States	Ship-ments above quota	Loss in 1964 on above quota ¹ ship-ments (in thou-sands of dollars)	1965 quota	1965 quota exceeds 1964 quota (short tons)	1965 gain on quota ² (in thou-sands of dollars)	Net gain, 1965 over 1964 loss (in thou-sands of dollars)
Australia.....	40,366	215,098	174,732	4,682.8	193,069	152,703	10,506.0	5,823.2
British Honduras.....	974	5,988	5,014	134.4	4,342	3,368	231.7	97.3
Costa Rica.....	19,720	40,526	20,806	557.6	36,041	16,321	1,122.9	565.4
El Salvador.....	10,326	20,571	10,245	274.6	17,904	7,578	521.4	246.8
Fiji Islands.....	9,981	54,517	44,536	1,193.6	47,059	37,078	2,551.0	1,357.4
Malagasy Republic.....	0	11,559	11,559	309.8	7,586	7,586	521.9	212.1
Mexico.....	255,521	480,120	224,599	6,019.3	403,225	147,704	10,162.0	4,142.7
Nicaragua.....	25,079	50,340	25,261	677.0	41,947	16,868	1,160.5	483.5
Panama.....	8,832	19,216	10,384	278.3	14,986	6,154	423.4	145.1
South Africa.....	20,326	119,960	99,634	2,670.2	109,408	89,082	6,128.8	3,458.6
Southern Rhodesia.....	0	10,260	10,260	275.0	9,197	9,197	632.8	357.8

¹ At U.S.-world price difference of \$26.80 per short ton.

² At U.S.-world price difference of \$68.80 per short ton.

The CHAIRMAN. We will now hear from Mr. Nemir.

**STATEMENT OF ALBERT S. NEMIR OF A. S. NEMIR ASSOCIATES;
ACCOMPANIED BY HERBERT C. HATHORN, ON BEHALF OF THE
SUGAR AND ALCOHOL INSTITUTE OF BRAZIL**

Mr. NEMIR. Mr. Chairman, I am Albert S. Nemir of A. S. Nemir Associates, and I am accompanied today by Herbert C. Hathorn. Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government.

We appreciate the opportunity to present our request for a fair participation by Brazil in the foreign quota allocations of sugar to be made under H.R. 10496. I wish we could have made this a three-page statement, Mr. Chairman, but this bill as written is unfair to Brazil, the largest exporter in the Western Hemisphere with the greatest available sugar supplies for export and the greatest reserve stocks for emergency supplies and the greatest potential for expansion.

Improved political and economic conditions: I am sure the committee members are aware of the great change which occurred in the Brazilian Government as a result of the overthrow of the Goulart regime in April 1964 through a revolution widely supported by the people of Brazil. In the words of the American Ambassador to Brazil, Mr. Lincoln Gordon, this revolution—

may well take its place alongside the initiation of the Marshall plan, the ending of the Berlin blockade, the defeat of communistic aggression in Korea, and the solution of the missile base crisis in Cuba, as one of the critical turning points in mid-20th-century world history.

We presented in 1962, when testifying at the sugar hearings, compelling reasons why it would be mutually beneficial to the United States and to Brazil, and wholly in accord with the purposes of the Sugar Act, for Brazil to receive a substantial sugar quota within the U.S. system. Those same reasons apply equally well today, but we respectfully submit that the record of the Government of Brazil under President Marshal Humberto Castello Branco, should remove the objections we encountered during our last appearance. The new Government has made rapid and dramatic strides in the short period since April 1964, both in the internal life of the Brazilians and in world affairs. Internally, steps have been taken to:

1. Institute an austerity program to combat inflation, including withholding tax legislation.

2. Enter into an investment guarantee agreement with the United States to make certain American investors are fully protected in the future should they participate in the development of Brazilian economic resources and productive capacities.

3. Amend Brazilian law to speed up legal remittances abroad of profits, dividends, royalties, and payment for technical services.

4. Expedite settlement of expropriation cases the previous government had not yet resolved.

5. Institute internal reforms in government and eliminate corruption.

In the international field:

1. On May 13, 1964, a little more than a month after the revolution, Brazil severed diplomatic relations with Cuba.

2. Brazil responded at once to the request of the OAS to send troops to form part of the peace force in the Dominican Republic. This action was approved on May 19 by the Brazilian Chamber of Deputies by a vote of 190 to 99 with a resolution authorizing dispatch of troops, and on May 20, the Senate followed suit by a vote of 39 to 9. Immediately thereafter more than a thousand troops were sent to the Dominican Republic at a cost to Brazil of \$1 million a month, and it is worth noting that Brazil is the only Latin American country sending more than a token force. At the request of the OAS, Brazil made available Gen. Hugo Panasco Alvin to serve as commander of the OAS forces in the Dominican Republic. Subsequently, Brazil joined the United States and El Salvador in furnishing representatives to serve on the OAS ad hoc Peace Committee.

In short, we submit that Brazil is actively demonstrating, both at home and to the world, her capacity for leadership as a member of the community of nations working together to meet the challenge of today's world.

BRAZIL'S 1965 QUOTA INEQUITABLE

Mr. Chairman, the spot world price of sugar for the past few months has been around 2 cents a pound, and this is less than one-half the cost of producing sugar in any country of the world. Currently, Brazil is forced to sell on the world market over three-fourths of her export supplies at these dumping prices. Much of this is the result of the Department of Agriculture's formula for allocations for 1965 which gives double weight to 1964, the year in which U.S. imports were the lowest in over 20 years. We request that consideration be given to adjust this inequity to Brazil. The formula does not follow the foreign quota guidelines established by the Congress in 1962, nor is it in line with the criteria and objectives which have been a part of the Sugar Act for the last 31 years. These objectives are:

(1) To regulate commerce among the several States with the territories and possessions of the United States and with foreign countries.

(2) To protect the welfare of consumers of sugar and of those engaged in the domestic sugar producing industry—an adequate and stable supply.

(3) To promote the export trade of the United States.

We petition the committee to increase Brazil's quota by applying the criteria established by the Congress. There are overwhelming political reasons to reward Brazil now, whereas the justification is greatly diminished for continuing Cuba's quota at 57.77 percent of permitted foreign imports from countries other than the Philippines. Brazil needs assurance of a substantial permanent quota now. This could be accomplished without necessarily changing the existing quota of any other foreign country now supplying the United States. A small transfer from Cuba to Brazil could be restored from future growth should the Congress wish.

REASON FOR DISREGARDING 1964 IN ESTABLISHING BRAZIL'S QUOTA

It is well known to this committee as well as to housewives, refiners, industrial users, and the entire sugar trade, that 1963 was a more critical year than 1964 in the U.S. supply price problem. It is also well known to this committee that the domestic beet crop was to be the highest in history. Therefore it was an unusual situation when the United States asked for the commitment of 1 million tons of the global quota as early as December 1963 and January 1964. Furthermore this was only two-thirds of the total global quota of 1,503,861 tons to be allocated for 1964.

It is true that Brazil only committed her basic quota and did not offer to supply against this initial nonquota request. Brazil's crop position was then unclear after 2 years of bad weather, and while she produces sugar continuously throughout the year, the heaviest period of production is in the last half of the year when both the north and the south areas produce sugars simultaneously—chart 3. I would like to say that these points are elaborated on the charts. I do not have time to do that now, but they are there.

When the crop was known by mid-1964, the United States was over-supplied and unable to allocate the remaining 503,861 tons. This deprived the Brazilian Government, new as of April 1964, of the oppor-

tunity to supply additional quantities of sugar. World prices dropped below U.S. prices by June 1964. The result was substantial benefits for those who quickly committed sugars in 1963 and January 1964, and actual penalty for those who deferred offers.

It is wrong to Brazil to use a formula that ignores the objectives of the act that have endured for 31 years and gives continuous benefits based on one extraordinary situation. It is wrong to ignore the new Government, particularly since the most substantial contribution to the U.S. supply crisis was given by Brazil in 1963. We believe the year 1963 was a far more important contribution when the world shortage was obvious and the U.S. supply situation was critical. In that year, Brazil supplied 468,822 short tons, raw value, the second largest contribution of any supply country in the Western Hemisphere.

Mr. Chairman, if selling to the United States at a price below the world price is the basis for rewarding contributing countries, then 1963 would have been a more representative year to have been given double weight. We call your attention to table 13 of your committee's print of August 16, 1965, called "Selective Data on Sugar Under the Sugar Act as Amended by the Sugar Act Amendment of 1962," where it can be seen that world prices exceeded U.S. prices in 11 months out of the year, whereas, in 1964, the situation existed for only 5 months out of the year.

JUSTIFICATION FOR INCREASING BRAZIL'S QUOTA NOW

(1) Brazil a large and dependable supplier of sugar. We show that in chart No. 2. Brazil is the largest producer of cane sugar supplying the U.S. market and has the greatest potential for expansion. The 1964-65 crop which ended on May 31, 1965, totaled 4,100,000 tons. This clearly established that Brazil's rhythm of production and her export potential are fully recovered from the drought crops of 1962 and 1963.

The 1965-66 crop, which began on June 1, is scheduled for authorized production of over 4,500,000 short tons, raw value, and the Brazilian Sugar & Alcohol Institute has authorized an export quota of 980,578 short tons. Records of the institute show that the Brazilian sugar industry has a crushing capacity of 332,513 tons of cane per 24 effective hours which would permit production of about 5,500,000 short tons, raw value, on the basis of installed capacity at this time.

(2) Importance of sugar exports to Brazilian economy, as shown in chart 1. Sugar in the Brazilian economy is particularly important in the northeast where production is in excess of consumption. The export trade of Brazil is concentrated in this region as, for example, in 1965-66 Pernambuco has an authorized allocation for export of 440,003 short tons, raw value, and Alagoas is authorized to export 226,287 short tons, raw value. This is the area where United States AID and the Brazilian Northeast Development—SUDENE—Agency are jointly concentrating their efforts on much-needed improvement.

AID has been studying agricultural development and adjustment in the area to establish agrarian reform with a view to acting jointly with the Brazilian Government to rehabilitate the area, stressing improvement in social conditions, raising per capita income and nutri-

tional standards, including increasing the efficiency of the utilization of land and other resources of the area.

The northeast has lost its former outlet for sugar for domestic consumption in the center and south. There is, therefore, an ideal opportunity to improve the situation in the northeast by using sugar export dollars to finance acquisition of needed materials. Studies have established, for example, the difficulty of the food supply of the northeast and the fact that the needed expansion of local production of food-stuffs, which will require fertilizers, processing equipment, marketing facilities, and certain other types of food, will not diminish the need for imported wheat.

In the northeast the sugar industry is associated with the economic well-being of the 25 to 30 million people. Sugar exports make a major contribution in achieving mutual goals of both the Governments of the United States and Brazil.

(3) Agricultural trade potential, shown in charts 4 and 5. Brazil, as the largest importer of U.S. agricultural commodities in Latin America contributes substantially to the objective of the act "to promote the export trade of the United States." In 1964, Brazil's imports of agricultural commodities totaled \$147.1 million. (See chart No. 4.) This was primarily much-needed wheat as Brazil's production potential is currently less than 10 percent of requirements which have averaged between two to two and a half million tons for the past 10 years.

Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined. With a population of over 80 million persons, or very nearly one-half the population of Latin America, and with unfavorable experience with national production of wheat, it is obvious that Brazil will be an important market for substantial imports for the next decade, or at least within the framework of the current term of the proposed Sugar Act.

Studies show that Brazil will need upward of 1 million tons of wheat annually, in addition to the usual purchases under existing agreements with Argentina and Uruguay. Brazil will provide in the future one of the largest cash markets for U.S. wheat of any country in the world as the current program for economic growth is achieved.

In presenting Brazil's case to the Congress in 1962 a definite proposal was made concerning sugar-wheat trade. The proposal was well received by the House Committee on Agriculture. However, as we previously stated, political considerations worked against its acceptance. The potentialities for sugar-wheat trade continue to exist as Brazil still will have the problem of importing large quantities of wheat and still has the balance of trade and foreign exchange problems. For example, on August 13 the Brazilian Government, through her Embassy in Washington, presented officially a proposal for the importation of 300,000 tons of wheat for the next 2 or 3 months which involved sugar receipts for a portion of her needs.

We have a cable making an offer for immediate purchase of 200,000 tons of wheat for 100,000 tons of sugar.

The CHAIRMAN. May I interrupt you right there? You mean that you have agreed to buy 200,000 tons of wheat?

Mr. NEMIR. Yes.

The CHAIRMAN. For how much sugar?

Mr. NEMIR. 100,000 tons of sugar.

The CHAIRMAN. That is in the agreement?

Mr. NEMIR. It is in the works now—it will be presented on Monday.

(4) Brazil has an excellent record as a supplier to the U.S. market: Until the Sugar Act was amended in 1962 Brazil was not within the quota structure of the United States and was forced to sell on the world market (average) exports of around 850,000 short tons, raw value. She was the only large producer of sugar exporting substantial quantities without the benefit of a sheltered market. In 1962 Brazil was given her first opportunity to participate in the U.S. quota system. Brazil did contribute to the extent permitted in 1961 when approximately 330,000 tons were shipped to the United States out of the total exports in that year of 837,000 short tons, raw value. It is obvious that had she been permitted, she would have shipped the entire amount to the United States inasmuch as world prices were substantially below the U.S. price.

In 1962 Brazil's exports were 538,000 tons, of which 406,000 tons were supplied to the United States. Brazil has honored all of her sugar commitments to the United States.

During the year 1963 when world prices exceeded U.S. prices for 11 months and sugar was scarce, Brazil exported 469,000 short tons to the United States. This year of 1963, the first full year of operation under the new Sugar Act of 1962, more nearly reflected the basic quotas established by the Congress than did other years to date. It was influenced the least by administrative action since the latitude therefor was reduced by the fact that the 1962 amendments were in full effect and the United States needed sugar.

The abnormal and unrepresentative year of 1964 has already been referred to herein. It is worth while again to highlight its major features. Only 2,371,000 tons of sugar were required from foreign sources other than the Philippines. This was the lowest annual amount imported during the past 22 years and was nearly 1 million tons less than imports in 1963.

Furthermore, the United States withheld over 500,000 tons of the global quota announced in December 1963. Actually, the allocation to foreign countries was substantially completed early in 1964.

At the same time, Brazil's supply potential for 1964 was unclear after 2 years of adverse weather. The Goulart government was on its last legs, so to speak, and honored only their basic quota and deferred offering additional sugars until later when supplies available for export would be more clearly defined. After April 1964 the new revolutionary government had no opportunity from that time on to offer sugars since the U.S. market was closed because of the oversupply of sugars on hand.

When the 1965 quotas were announced by the Department of Agriculture giving double weight to 1964, we protested that the quotas announced constituted a major diversion from the basic formula established by the Congress in the Sugar Act under section 202(c) (3)

(A). It was not fair to the new Government of Brazil to place on it the burden of the peculiar situation that arose out of the action taken by the Department in allocating the 1964 quotas so early in the year and it is double penalizing to use the unrepresentative year 1964 as a continuing measure for the future. Brazil, while it has production throughout the year and has stocks on hand greatly in excess of any other major exporter of sugar to the free world, does have a concentration of production in the second half of the year. Most of the major Western Hemisphere sugar producers are geared to the first half of the year, or December-May. Brazil's concentration of production in the second half of the year offers added insurance that is of value in year-to-year operation of the Sugar Act. Had the call of sugars come in the second half the advantage would have been to Brazil.

May we also call the committee's attention to page 4 of the proposed bill H.R. 10496 allocating quotas to foreign countries. The bill, while professing to give great consideration to developing Latin American countries, in fact, actually reduces their participation by 14 percent and increases countries outside the Western Hemisphere by 89 percent. (See table III attached.) Brazil, despite her great size, is a developing country and this bill actually reduces her basic quota from about 180,000 tons provided for in the 1962 act to about 90,000.

In 1962 we were confronted at the hearings with the expropriation matter and Brazil's quota was held fractionally under that of other major Western Hemisphere supplies. The situation today is completely reversed and we hope the committee will take this into consideration in arriving at an equitable quota for Brazil.

In summary, Mr. Chairman, and members of this committee, we respectfully ask that Brazil's position be reexamined in the light of her qualifications to meet the criteria and objectives of the Sugar Act against the new background of Brazil today.

Brazil will honor any basic quota and allocation which may be granted to her.

We thank you for this opportunity to be heard.

(The document entitled, "List of Charts and Tables" with accompanying charts and tables, follows:)

LIST OF CHARTS AND TABLES

Chart 1: Authorized sugar production by major areas and by States for the 1965-66 crop. Also shows authorized production for export by States.

Chart 2: Monthly figures for the period 1960 through June 1965 showing end of month stocks, production, exports, and consumption.

Chart 3: Brazilian sugar production by areas and months for the calendar year 1964. While sugar production occurred in each month of the year, heaviest period of production is in the period July-December.

Chart 4: Brazil was the largest importer in Latin America of U.S. agricultural commodities in 1964.

Chart 5: Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined.

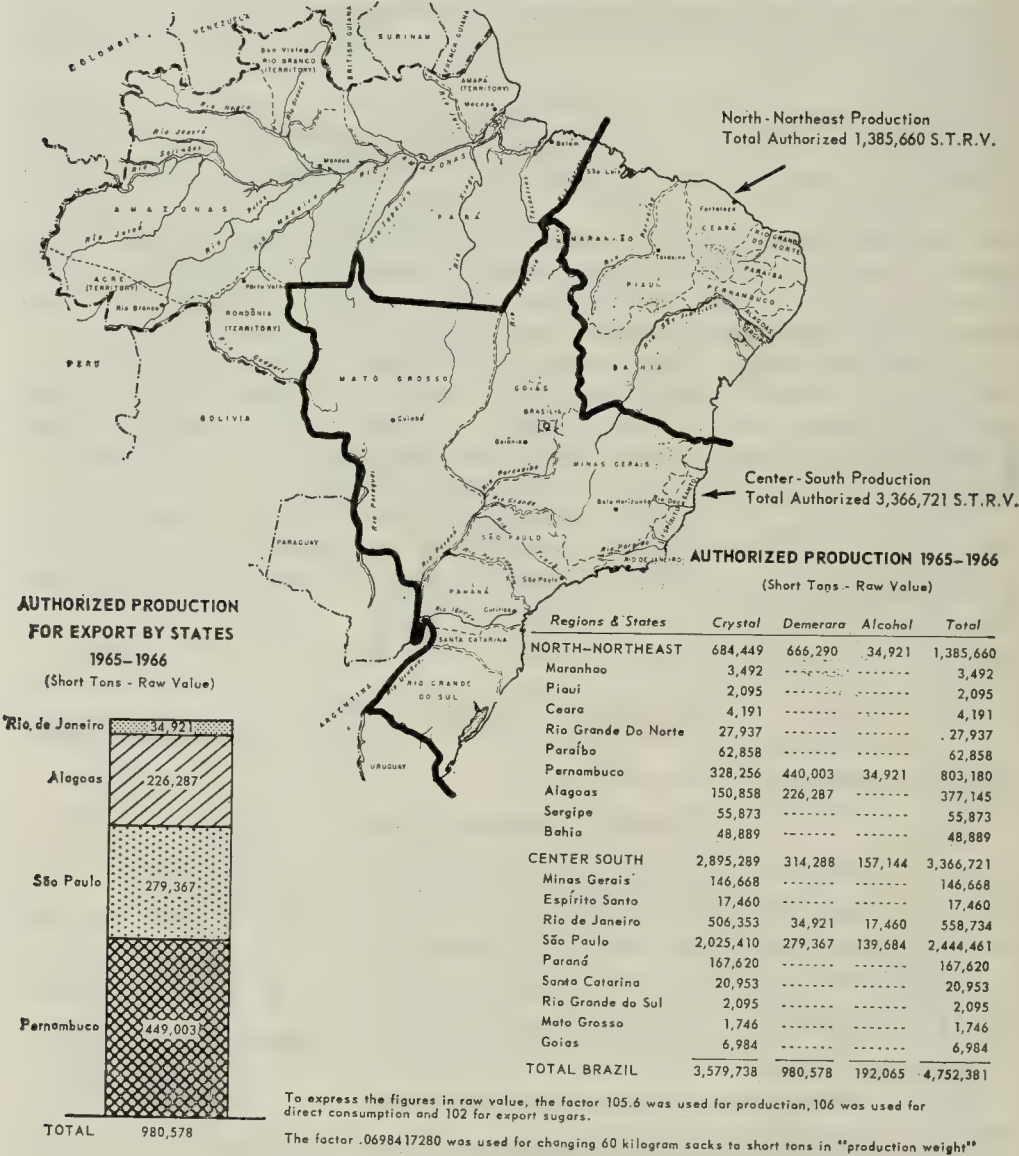
Table I: Monthly production by States of sugar authorized for export in 1965-66.

Table II: Brazil's sugar exports by area destination, 1957-64.

Table III: Comparison of the provisions of the proposed bill with provisions in the 1962 act.

Chart 1

**AUTHORIZED SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL
1965-1966
4,752,381 Short Tons, Raw Value**



**SUGAR—Comparison of Production, Consumption,
Exports and Stocks in Brazil, 1960-1965**

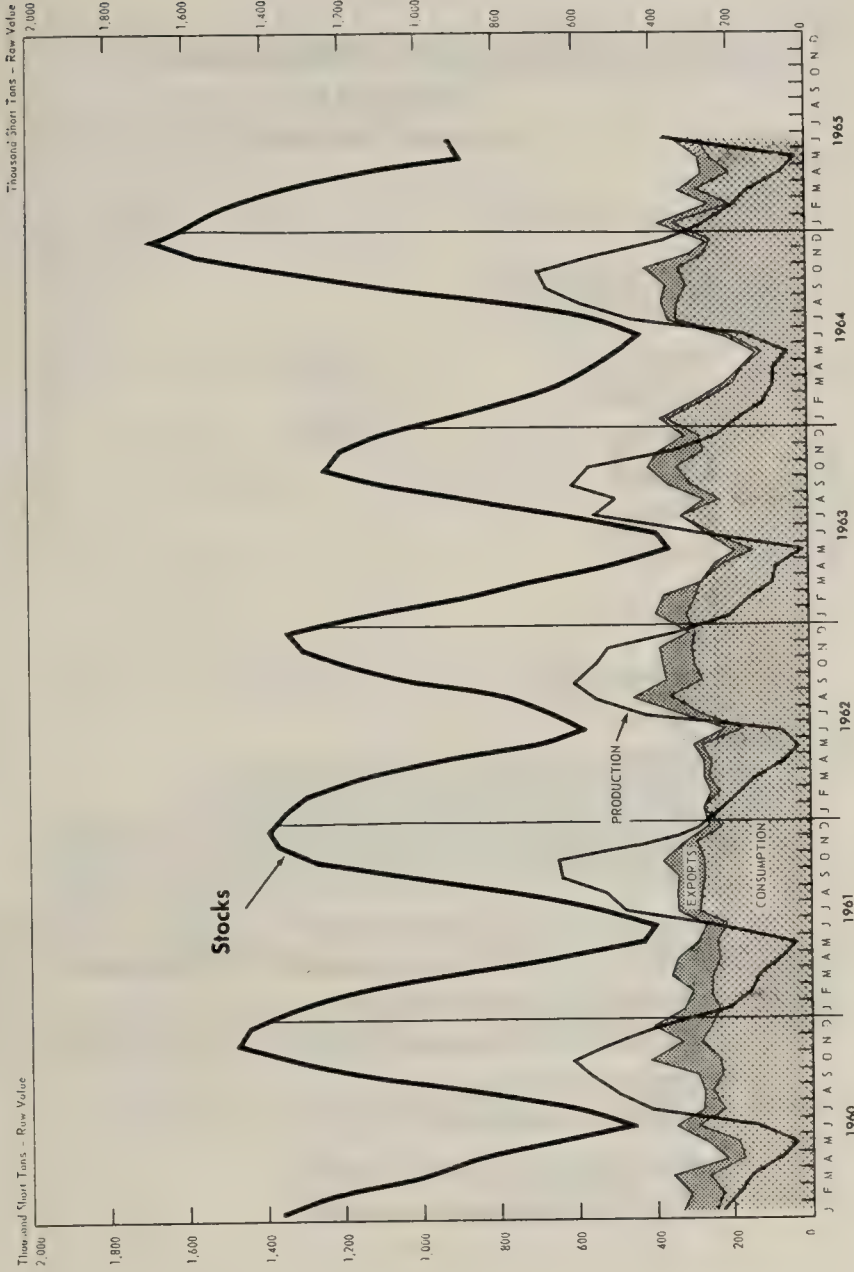
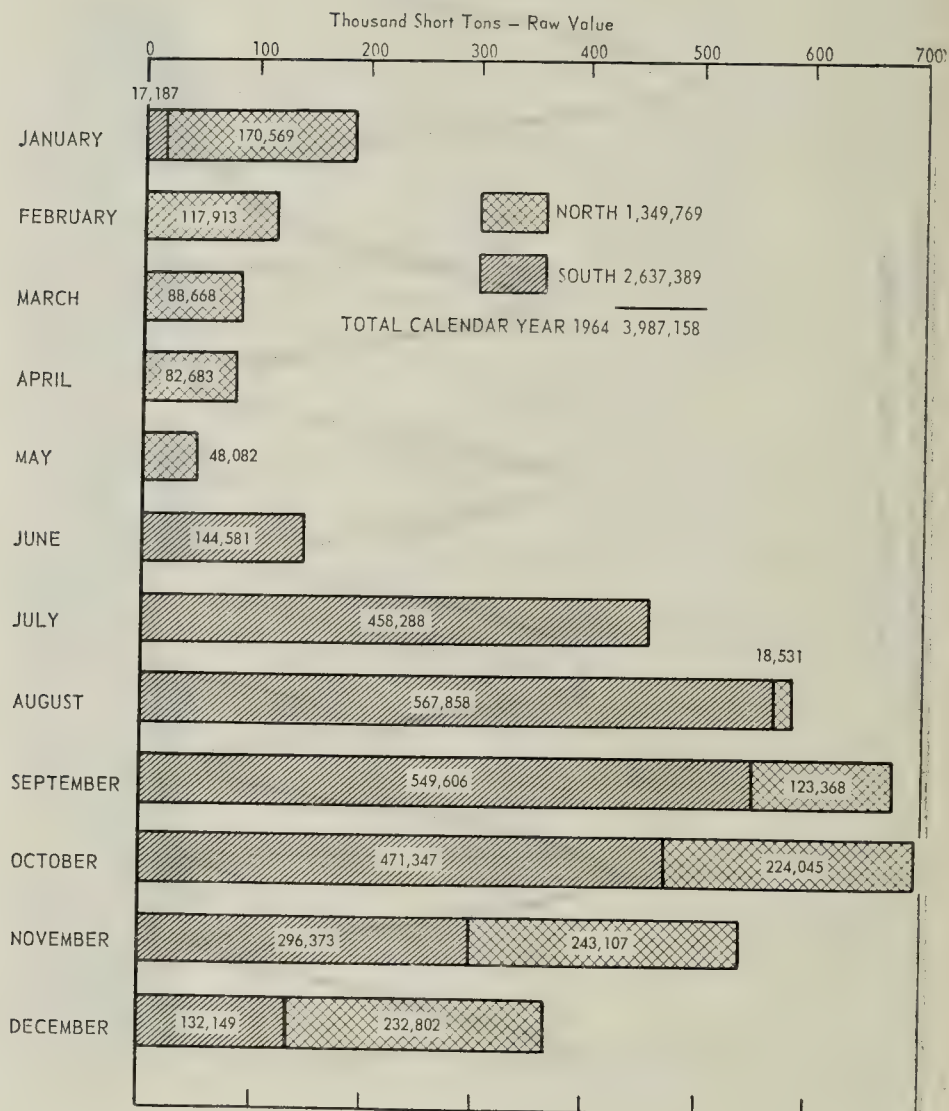
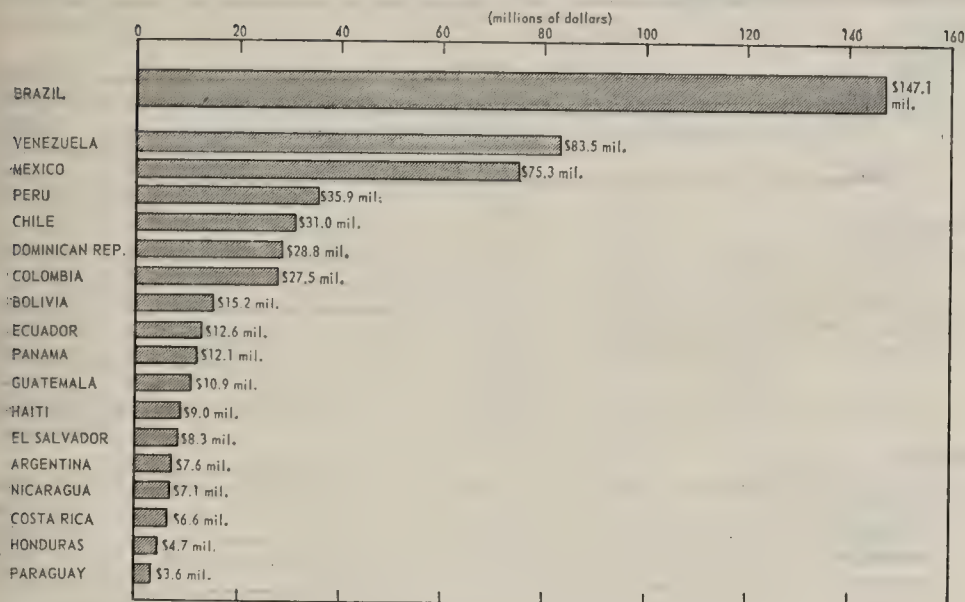


Chart 3

**BRAZIL SUGAR PRODUCTION
BY AREAS
Calendar Year, 1964**



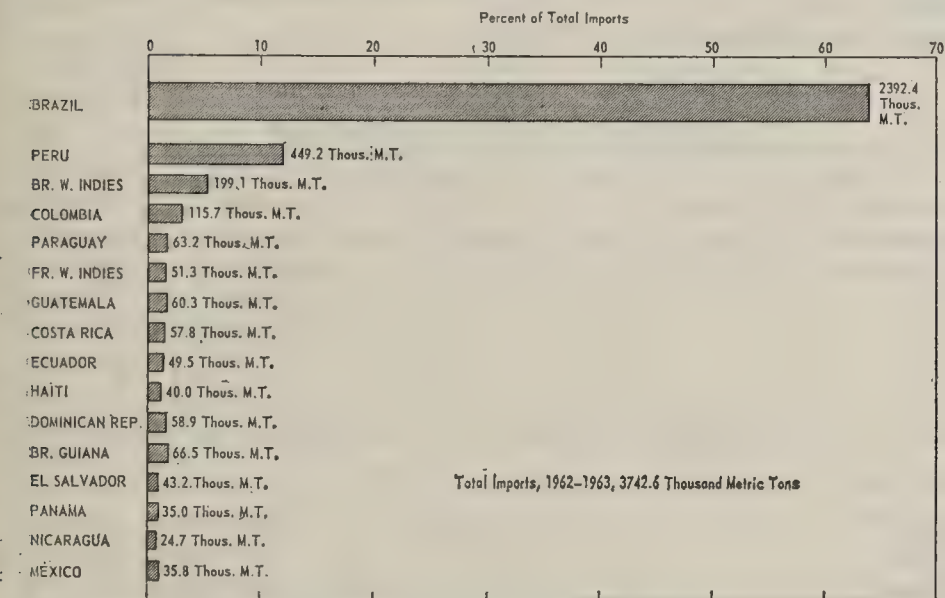
**Brazil was the Largest Importer
of United States Agricultural Commodities
in Latin America—in 1964**



SOURCE: Foreign Trade Statistical Section, U.S.D.A. from unpublished material.

**Brazil Alone Imports More Wheat Than the
Balance of the Western Hemisphere Countries Below Combined**

IMPORTS OF WHEAT FROM ALL COUNTRIES*



*Including Flour

SOURCE: World Grain Trade - Foreign Agricultural Service, U.S. Department of Agriculture - FAS - M - 53 (Rev.) May 1965

BRAZIL

TABLE I.—*Authorized periods for production for export, 1965-66*

<i>State and period</i>	<i>Short tons, raw value</i>
São Paulo: June-August.....	279,367
Rio de Janeiro:	
September.....	13,968
October.....	13,968
November.....	6,985
Total.....	34,921
Pernambuco:	
September.....	69,842
October.....	139,683
November.....	90,794
December.....	69,842
January.....	69,842
Total.....	440,003
Alagoas:	
September.....	41,905
October.....	48,889
November.....	55,874
December.....	48,889
January.....	30,730
Total.....	226,287
Grand total.....	980,578

NOTE.—To express the figures in raw value the factor 105.6 was used for production; 106 was used for direct consumption; and 102 for export sugar.

The factor .0698417280 was used for changing 60 kilogram sacks to short tons in "production weight."

Source: Brazilian Sugar and Alcohol Institute.

TABLE II.—*Brazil's sugar exports by area destination, 1957-64*

THOUSAND SHORT TONS, RAW VALUE

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania.....	65.8	333.3	231.0	438.5	329.6	69.7	23.5	.....
Europe.....	252.7	308.1	266.9	213.8	46.3	.....	31.8	64.2
South America.....	57.1	143.9	105.8	157.0	76.6	49.3	22.3	28.8
Africa.....	84.2	87.0	65.6	35.5	55.3	.....	.....	23.3
United States.....	.....	.....	11.8	116.3	329.7	406.5	469.6	182.3
Others.....	.....	.....	.1	.....	.....	12.6	.....	.....
Total.....	459.8	872.3	681.2	961.1	837.5	538.1	547.2	298.6

PERCENTAGE DISTRIBUTION OF BRAZIL'S SUGAR EXPORTS BY DESTINATION, 1957-64

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania.....	14.3	38.2	33.9	45.6	39.4	13.0	4.3	.....
Europe.....	55.0	35.3	39.2	22.3	5.5	.....	5.8	21.5
South America.....	12.4	16.5	15.5	16.3	9.1	9.2	4.1	9.6
Africa.....	18.3	10.0	9.6	3.7	6.6	.....	.....	7.8
United States.....	.....	.....	1.7	12.1	39.4	75.5	85.8	61.1
Others.....	.....	.....	.1	.....	.....	2.3	.....	.....
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Quando VI from recent Brazilian report.

NOTE.—To express the figures in "raw value" the factor 105.6 was used for total production; the factor 106 was used for direct consumption; and 102 for export sugars, e.g.: 90 multiplied by 106 equals 95.40; 10 multiplied by 102 equals 10.20; raw value, 105.60.

Source: Brazilian Sugar and Alcohol Institute.

TABLE III.—Comparison of the provisions of the proposed bill with provisions in the 1962 act

Country	Quotas		Percent changes 1965 over 1962	Percent of total excluding Cuba	
	1962 act	Proposed H. R. 10496		1962 act	Proposed act
Cuba.....	57.77	57.77			
Mexico.....	6.71	7.29	+8.6		
Dominican Republic.....	6.71	7.21	+7.5		
Peru.....	6.71	4.50	-32.9		
Brazil.....	6.37	4.14	-35.0		
British West Indies.....	3.19	2.28	-28.5		
Argentina.....		1.19			
Ecuador.....	.88	.93	-5.7		
Nicaragua.....	.88	.76	-13.4		
Guatemala.....	.71	.66	-7.0		
Costa Rica.....	.88	.65	-16.1		
Colombia.....	1.06	.52	-51.9		
Haiti.....	.71	.35	-50.7		
El Salvador.....	.36	.32	-11.1		
Panama.....	.53	.27	-49.1		
British Honduras.....	.35	.08	-77.2		
Venezuela.....		.05			
Paraguay.....	.35				
Total countries in Western Hemisphere excluding Cuba.....	36.40	31.20	-14.3	86.2	73.9
Australia.....	1.41	3.49	+147.5		
India.....	.71	1.81	+154.9		
South Africa.....	.71	1.81	+154.9		
China, Republic of.....	1.24	1.26	+1.6		
France, French West Indies, and Reunion.....	1.06	.95	-10.4		
Fiji Islands.....	.35	.85	+142.8		
Mauritius.....		.28			
Southern Rhodesia.....		.17			
Swaziland.....		.17			
Malagasy Republic.....		.14			
Ireland.....		.04			
Belgium.....		.03			
Turkey.....		.03			
Netherlands.....	.35				
Total countries outside Western Hemisphere.....	5.83	11.03	+89.2	13.8	26.1

The CHAIRMAN. Mr. Nemir, I want to congratulate you. I think that this is a splendid statement and your arguments are very persuading. I am amazed that you went into this thing so factually.

You indicate here that the Latin American quotas have been reduced by 14 percent and that the other countries' quotas have been increased by 89 percent.

Mr. NEMIR. Yes, sir. That is in the table at the back—the last table in the list.

The CHAIRMAN. Well, as I have said and I keep repeating, the administration has submitted a recommendation to us and as I have indicated before, in 1962, going to a global quota program brought chaos into the market and then the situation developed where they were sending telegrams around the world to secure sugar to supply the U.S. needs.

You have been around here as long as most of us. And we have great respect for all the people who have prepared this proposal by the administration, but it is, certainly, not binding on us. I am sure that the members of the committee will want to work their will on these problems. I can assure you that the committee will give con-

sideration to your recommendations and the recommendations of the others who have appeared here.

Thank you all very much for your appearance here today.

We have another distinguished gentleman here. Mr. John A. O'Donnell, counsel for the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines. We will be glad to hear from you now.

STATEMENT OF JOHN A. O'DONNELL, REPRESENTING THE PHILIPPINE SUGAR ASSOCIATION AND THE NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. O'DONNELL. Mr. Chairman and members of the committee, last week when it appeared that the committee was prepared to take up Sugar Act amendments without a bill, I forwarded a brief background memorandum of the Philippine sugar producers to the members of the committee. In the interest of time, I respectfully request that I be permitted to introduce this memorandum now as a part of the record.

The CHAIRMAN. Very well, sir; without objection that may be done. (The memorandum referred to follows:)

PHILIPPINE SUGAR MEMORANDUM

I. HISTORICAL BACKGROUND

Sugar commerce between the United States and the Philippines has been of long duration. In the 1880's exports to the United States averaged more than 200,000 tons annually. After the Spanish-American War, under various formulas, these exports increased steadily and reached an aggregate of approximately 1,250,000 tons in 1933. Legislation in the United States thereafter established fixed quotas for foreign suppliers. As a result, the annual export of sugar from the Philippines to the United States actually was reduced but the advantage of stabilization was obtained.

During World War II the sugar industry in the Philippines was completely destroyed. Sugar trade, in effect, ceased for the duration. Planting was disorganized and demoralized. Physical equipment was damaged or demolished.

Under the terms of a trade treaty between the United States and the Republic of the Philippines and the provisions of the Sugar Act of 1948, the Philippines were assigned an annual quota of the U.S. sugar supply of 980,000 tons. This quota remained static for many years although in 1960 Philippine producers were asked by the United States to supply an additional amount to the extent of 15 percent of the deficit created by the termination of sugar imports from Cuba which has averaged approximately 3.2 million tons annually. Philippine suppliers immediately responded to the request of the U.S. Department of Agriculture to furnish emergency supplies.

In 1962 amendments to the Sugar Act of 1948 adopted by the Congress raised the annual basic quota of the Philippines to 1,050,000 tons. In addition, it was agreed that the Philippines would be allotted a substantial pro rata of the deficits in the supplies of other countries which failed to meet their assigned quotas. The 1962 amendments to the Sugar Act established for the first time a so-called global quota of 1,500,000 tons which would be allocated to suppliers on a first-come, first-served basis. Behind the global quota principle was the mental reservation that Cuba might soon return to the society of respectable free nations and would again receive a quota in the U.S. sugar market.

The following is a brief résumé of the development of sugar quotas established by the United States for Philippine suppliers:

(a) From 1937 to 1941 pursuant to understandings between the United States and the Commonwealth of the Philippines, a duty-free sugar quota for the Philippines of 850,000 tons was subject to full duty on entering the United States; therefore, in effect, the Philippines only filled the basic quota of 850,000 tons.

(b) After the termination of World War II, a basic quota for the Philippines was established at 980,000 tons per year.

(c) The amendments to the Sugar Act adopted in 1958 did not increase the quota for the Philippines although that country had attained its independence and had experienced a complete rehabilitation of its sugar industry. The President of the United States, however, at the time of enactment of the amendments of 1958 stated that at the next revision of the law, the needs of the Philippines would be recognized.

(d) The 1962 amendments to the Sugar Act brought about an increase in the basic Philippine quota to 1,050,000 tons annually. There was no legal restriction upon increasing the quota. In effect, the Philippine Trade Revision Act of 1955, in article II, paragraph 1, provided: The establishment of the limitations on the amount of Philippine raw and refined sugar that may be entered or withdrawn from warehouses, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

This proviso specifically empowers the Congress to increase sugar exports from the Philippines and impliedly promises such an increase.

Commencing with the Cuban emergency of 1960, the Philippines, in order to meet the increased demands of the United States, added greatly to their facilities and were able to supply to the U.S. market, in addition to the domestic consumption of the Philippines of about 600,000 tons annually, the following exports:

	<i>Short tons</i>		<i>Short tons</i>
1960-----	1, 165, 000	1963-----	1, 195, 000
1961-----	1, 355, 000	1964-----	1, 219, 000
1962-----	1, 256, 000		

The sugar industry in the Philippines has always been geared to consumption requirements in the United States. Sugar planters and millers have arranged for planting, production, and export programs exclusively with a view to ultimate absorption in the United States of all of their production in excess of Philippine domestic consumption. It may be explained parenthetically that the Philippines has a small quota in the world market which it filled only once in a minor barter arrangement when exchange controls were in effect in the Philippines.

With the encouragement and cooperation of the United States, the Philippines have not participated in the world market and have, in effect, created a source of supply only for the American consumer. Sugar and copra are the leading products of the Philippines. Sugar is often the No. 1 export. The total investment in the sugar industry in the Philippines has reached the impressive total of \$750 million. Approximately 3 million people, out of a total of a population of 30 million, are dependent upon the sugar industry, either directly or indirectly, for their livelihood. Banks, insurance companies, shipping lines and other businesses and institutions have a great stake in this industry. The first to benefit from any increase in the Philippine share of United States consumption are the 35,000 farmers who are the recipients of no less than 65 percent of the sugar quotas. In the Philippines most sugar is grown by small farmers who are analogous to small businessmen in the United States.

The Philippines depend on sugar for an average annually of an estimated one-fourth of their dollar exchange which brings in finished goods from abroad. A recent Department of Commerce press release indicates that the Philippines continue to trade more with the United States than any other country. In 1963 total imports from the United States were valued at \$319.8 million—up \$53.6 million from 1962. Imports of American farm products alone were valued at \$53.8 million; of this, \$17.4 million was in wheat, \$14 million was in cotton and \$15.7 million was in milk and cream. On the other hand, it should be added that the United States' share of Philippine exports dropped from 43 percent in 1962 to 41 percent in 1963, the lowest percentage in recent history. The conclusion is inescapable that United States-Philippine international trade is interwoven with sugar export from the Philippines to the United States. No nation can buy if it cannot sell.

The Philippines have never engaged in trade with the Communist countries nor do they have diplomatic relations with any of them. Communism is barred by law in the Philippines.

II. CURRENT CONDITIONS AND PROSPECTS FOR IMMEDIATE FUTURE

Philippine sugar is derived from cane. Shipments are made to refineries mostly on the Atlantic coast of the United States. Sugar in general is a product that can be produced in almost any country in the world, either in the form of beets in the temperate climate or cane in the tropics. This situation is taken into consideration by the U.S. Government in determining how, when, and to what extent its sugar demands will be met.

For about 30 years prior to 1962 a quota system established by law divided the supply of the U.S. sugar market between domestic producers and foreign suppliers on the one hand, and, on the domestic scene, between the beet and the cane areas, respectively. The Philippines do not presume to suggest proportions of allocation or any other direction in the domestic U.S. production of sugar.

From the time the country quota system was adopted in the United States during the 1930's, sugar was mostly in oversupply. Only on two occasions before the termination of the Cuban quota did the price in the world market equal or exceed that in the American market. After the virtual abandonment of an exclusive country quota system under the provisions of the 1962 amendments to the Sugar Act, prices in the world sugar market spiraled to an almost unprecedented high in a very short time. In the period of apparent under-supply, the United States made demands on producers at home and abroad to which the Philippines, among others, responded at once. Necessarily, additional lands, facilities, and workers were called upon to augment the Philippine output. Even marginal lands were devoted to growing this presently attractive crop.

It is understandably difficult now to eliminate the additional resources in the Philippines which were marshaled at the moment when the United States required additional sugar supplies and the Philippines furnished them without question. The facilities in the Philippines for the production of sugar are adequate and can be used as long as the U.S. market continues to absorb the total product in excess of Philippine domestic requirements, and the prices are realistic.

A study by the U.S. Department of Agriculture substantiates the conclusion which has been reached in this memorandum. Its report published as early as February 14, 1961, states:

"The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the Republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960 it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar production is relatively high cost."

The unique position of the Philippine sugar industry because of the historical connection between the United States and the Philippines continues to be recognized by the U.S. Government. This seems to be appropriate for the reason that Philippine sugar producers regard only the U.S. market and the conditions imposed by the U.S. Congress and the executive department.

As an indication of the recognition of the Philippine position in sugar, the 1962 amendments to the Sugar Act continue the Philippine basic quota of 1,050,000 tons annually until the end of 1966, whereas the country quotas allowed to other foreign suppliers terminate at the end of 1964. Also, there is no import fee imposed on Philippine imports within the limits of their basic quota, such as are charged to other foreign suppliers now enjoying country quotas.

Although the Philippines must necessarily continue to occupy their special relationship to the United States in the sugar industry and in a measure are removed from some of the conflicts which bestir competitive forces in the United States, the Philippines are not entirely isolated from concerns which are faced by sugar producers everywhere in the world, particularly cane and beet producers in the United States.

Regardless of what other situations obtain in the world and are of concern to the United States, the specific and unique problems of the Philippines persist, among them being the following: The Philippines are very distant from the shores of the United States and a shipment of sugar from Manila or one of the other ports of the Philippines to a port in the United States consumes 45 days; the Philippines seek no other outlet than the United States for sugar exports and have no intention of making arrangements other than those which have existed between the two countries for many years and still remain valid.

The Philippines, induced by the requirements of the U.S. market, are now producing an estimated 2 million tons of sugar annually, thus providing for a domestic requirement of approximately 600,000 tons and the filling of these basic quota and additional needs of the United States to make up deficit prorations and participate in the Cuban reserve.

During 1964-65, at the present rate of production, the Philippines will have an estimated 500,000 tons above its indicated requirements.

The uncertainty which beclouds the minds of Philippine producers and the fears of elimination of some areas and individuals who were invited to enter the sugar field during emergency conditions in the United States can only be allayed by the stabilization of the sole outlet for Philippine sugar and the guarantee of this condition for a considerable period of time. The result of any other provision by the United States will be widespread unemployment, discontent, and economic upheaval in a country which has been laboring hard to surmount the difficulties of the early days of its independence immediately following the devastation of World War II.

In these troublesome times, mention should be made of our 1947 Military Bases Agreement with the Republic of the Philippines, permitting us to maintain and operate military bases there. These bases are of the greatest importance and utility to our Armed Forces and to our defense position in the Far East. They are on the direct route between our country and South Vietnam. Not only is Clark Air Base vital to our 13th Air Force, and Subic Bay and Sangley Naval Bases to our 7th Fleet, but we derive special advantages in their use and operations because of the close relationship and association which our two countries and our people have enjoyed in the past. Ten thousand Filipinos at this moment are serving in our Navy. Thousands of Filipino civilians and technicians are employed at our military bases.

Sugar is the lifeblood of the Philippine economy and we must keep our friend and ally strong.

III

Without wishing to appear presumptuous or making opinionated proposals to the Congress and other authorities in the U.S. Government, the sugar producers of the Philippines respectfully suggest that:

The basic quota of sugar imports from the Philippines to the United States be increased to 1,250,000 tons annually.

PHILIPPINE SUGAR ASSOCIATION.¹
NATIONAL FEDERATION OF SUGARCANE
PLANTERS OF THE PHILIPPINES.²
JOHN A. O'DONNELL, *Counsel*.

Mr. O'DONNELL. I am John A. O'Donnell, of Washington, general counsel of the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines. I have appeared before this committee on earlier occasions in connection with proposed sugar legislation, but it might be well again to describe the interests I represent.

The Philippine Sugar Association embraces 25 leading processing mills in the Philippines. The federation is made up of representatives of more than 35,000 planters who are small independent farmer-businessmen engaged in growing sugarcane.

¹ 25 processing mills.

² 35,000 planters—-independent small businessmen.

Let me emphasize that my clients here are these two sugar producer associations. I do not represent the Government of the Republic of the Philippines in this hearing.

Philippine producers understand and respect the programs the U.S. Congress adopts for the benefit of beet and cane sugar producers of the United States whether on the mainland or in Hawaii, Puerto Rico, or the Virgin Islands. The requests of Philippine sugar suppliers are directed only toward sugar import requirements of the United States.

I appreciate the tremendous pressure under which you and your committee are operating and your desire to complete these hearings quickly. Accordingly, I shall be as brief as the interest of my clients will permit.

Mr. Chairman, today a large part of the economic future of the Philippines and many vital interests of the United States are in your hands. For a period of years, imports of Philippine sugar into the United States were restricted both by the Philippine Trade Act of 1946 and by the quotas established under the Sugar Act. Those limitations amounted to 980,000 short tons, raw value. In the revised Trade Agreement of 1955 that restriction was eliminated, and it was provided that sugar importations—

shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

One apparent misunderstanding of the position of Philippine sugar under the Philippine-American Trade Agreement is evidence from the debates in the Congress, when some of the Members gave the impression that the quantity of Philippine sugar coming in the United States, having been fixed in that agreement, cannot be changed by Congress.

The fact is that the agreement specifically provides that any increase in the Philippine sugar quota is left to Congress to determine. Article II of the agreement provides on this point as follows:

The establishment herein of the limitations on the amounts of the Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

In accordance with the decision of this committee, Congress increased the Philippine quota to 1,050,000 tons in 1962. Our industry, growers and processors alike, appreciated that increase. I wish to call your attention to the fact, however, that the Philippine import quota is still 200,000 tons below the peak reached before controls were inaugurated in 1934. The Philippine quota is further below the 15.41 percent of U.S. consumption that it equaled under the Sugar Act of 1937. For these reasons and because of the fact that the Philippines are now the largest foreign supplier of sugar to the American market, I think it is worth while for this committee to take a few moments to examine the Philippine quota problem.

The Philippines were supplying sugar to the American market before the Spanish-American War, but the growth in the industry came after that war. The major expansion of the Philippine sugar industry came in the 1920's and the early 1930's. Both the development and

the rehabilitation of the industry after World War II were based on shipments to the continental United States.

In 1933, the year before the Jones-Costigan Act was passed, the continental United States imported 1,249,000 tons of Philippine sugar. I want to emphasize the fact that actual imports in 1933 were 200,000 tons above our present quota.

Under the restrictive programs of the late 1930's, imports from the Philippines were cut to 1,088,000 tons in 1934 and were held below 1 million tons from then until they were stopped by World War II.

Even under the Sugar Act of 1937, however, the Philippine import quota equaled 15.41 percent of total continental U.S. requirements. If we accept the forecast of a well-known private sugar authority that 1965 distribution will approximate 10 million tons, then the Philippines prewar share would exceed 1,500,000 tons.

When the U.S. Government found it necessary in the summer of 1960 to stop taking sugar from Communist Cuba, the Philippine sugar industry was allotted by Congress 15 percent of the Cuban deficit, and it responded by supplying the United States with 1,165,000 tons in 1960 and 1,356,000 tons in 1961. Thereafter they supplied the United States with 1,256,000 tons in 1962; 1,195,000 tons in 1963, and 1,219,000 tons in 1964.

When world sugar prices got out of control in 1963, the Philippine industry not only shipped the United States more sugar than called for by their basic quota but, like the beet and mainland cane industries of the United States, undertook a further expansion program to supply the American market. Philippine production is now geared to a level of around 2 million tons. After allowing 600,000 tons for consumption in the Philippines, this should leave around 1,400,000 tons available for exportation.

Let me point out that the figure of 980,000 short tons, raw value, provided for by the Trade Agreement Act of 1946, was an appropriate figure for the early postwar rehabilitation period. Also, the 1,050,000-ton quota provided for by the 1962 amendments to the Sugar Act gave much needed relief. I want to emphasize, however, that a quota of 1,050,000 tons is not sufficient to meet the export requirements of the Philippines today and it will be still less adequate in the future.

Let us look at the statistics. From 1948 to date the basic Philippine quota has been increased 70,000 tons. In the meantime, domestic distribution has risen by 2.5 million tons, and the Cuba quota of 3.1 million tons has been distributed among other suppliers. All told, the quotas of other areas have been increased by around 5.5 million tons, while the quota for the Philippines has been increased only 70,000 tons. We are glad to see other areas permitted to increase their production and we are glad to see other new areas given an opportunity to develop sugar-exporting industries. In all frankness, however, we do feel that the Philippines should at least be restored to their 1933 position which amounted to 1,249,000 tons.

I know that your committee is being asked for larger quotas by many sugar-exporting countries. Accordingly, I believe every claimant should state its case clearly and factually, so that your committee will be in a position to decide issues on their merits.

Philippine sugar comes to refiners in the deficit area of the eastern seaboard. Moreover, the Philippine industry is undertaking to adjust

its exports to the seasonal consuming requirements of the American market. When Cuba was the major supplier to the United States it performed this function. With Cuba out of the picture, however, every supplier to the U.S. market, including the Philippine industry, must be prepared to schedule its shipments in accordance with the seasonal requirements of this market. For its part, the Philippine industry has undertaken a program of constructing additional warehouses to carry more of their sugar from the period of harvest to the period of heavy U.S. consumption.

Congress has shown a keen and proper interest in the economies of our foreign suppliers. Therefore, I shall address myself to the subject. As pointed out above, we have 25 important processing mills and 35,000 planters. Most of our planters are small independent farmers with average sugarcane enterprises of around 25 acres each.

The quota that the Republic of the Philippines receives for importing sugar in the United States is divided among individual producers by the Sugar Quota Administration of the Philippine Government. Workers in the sugar industry are covered by minimum wage laws. The various sugar associations maintain research and development programs. They also support health and welfare programs, and provide hospitals, schools, churches, and facilities for sports, entertainment, and cultural activities.

During World War II the sugar industry of the Philippines was almost completely destroyed. Since the war it has been rebuilt and it is estimated that the present investment in the industry amounts to \$750 million. Approximately 3 million people, or more than 10 percent of the entire population of the Republic of the Philippines, are dependent upon sugar for a livelihood. Many banks, insurance companies, shipping companies and other commercial institutions and their workers depend upon sugar for all or an important part of their income. Even for the Philippine Government, the sugar industry is the major source of revenue.

Because of the necessity of giving employment to a large number of people and the necessity of maintaining the economies of the established areas of production, it has not been possible for the Philippine sugar industry to adopt many of the labor-saving methods employed elsewhere or to abandon high-cost areas. For these reasons it is generally recognized that the Philippine sugar industry has a high cost of production which makes it utterly impossible for it to undertake to compete on the world market at today's prices.

The development of trade between the Philippines and the United States is a part of the recognized national policy of both governments. A joint communique of President Johnson and President Macapagal issued October 6, 1964, stated in part that:

The two Presidents looked to developments in the trade between their respective countries * * *.

The Philippines have long been an important customer of the United States. In 1963 Philippine imports from the United States were valued at approximately \$320 million. Philippine imports of American farm products amounted to approximately \$54 million. Important items in this group were \$17,400,000 worth of wheat, \$14 million worth of cotton, \$15,700,000 worth of milk and cream.

Sugar is the major product the Philippines have to export to the United States in payment for the American products they buy. At the current prices the sugar that the Philippines can sell to the United States under their present quota should yield about \$125 million in foreign exchange or nearly 40 percent of the value of American products imported by the Philippines in 1963. Therefore, the Philippine sugar quota must be increased if the United States-Philippine trade policy announced by President Johnson and President Macapagal is to be carried out.

The Philippines are unique among the foreign sugar-supplying countries in that they are the only such country that formerly was a part of the United States. The Philippines have been a part of our economic, cultural, and political heritage. In the hours of supreme national decision the Philippines have had no trouble in deciding whose side they were on.

During this period of contest between freedom and communism, with many nations perhaps undecided, the Philippines have made their decision clear. Communism is barred by law in the Philippines. The Republic of the Philippines does not have diplomatic relations with a single Communist country. Neither does it permit trade.

I shall not take the time to recount the joint efforts and sacrifices of the United States and Philippine forces during World War II, with which you are all so familiar.

I wish to remind you, however, that in 1950 the Philippines was the first among our friends to send a battalion of soldiers to fight beside the U.S. forces in the Korean campaign.

Today, Philippine medical and civilian action teams are in Vietnam and legislation is before the Philippine Congress to send a battalion of troops.

The Philippine Government is undertaking to help in Vietnam despite the fact that its own territory is being infiltrated by spies, saboteurs, and propagandists who are trying to destroy Malaysia, interfere with our efforts in Vietnam, and in fact, to defeat the entire SEATO program which the Government of the United States finds so necessary. We can be confident that the Philippine Government will cope with these infiltrators and propagandists.

By far the most important feature of all is that the Philippines are the staging areas for our military operations in Vietnam and, indeed, throughout southeast Asia. Our forces move out from our bases located at Clark Field and at Subic Bay. Our wounded are returned to the hospital installations at Clark Field that are generally referred to as the "Walter Reed" of the Far East. The confidence that these great strategic bases are in friendly territory far outranks in importance the billions of dollars spent in erecting those bases.

The friendship and cooperation that the United States has received from the Philippine Government and the Philippine people as a whole have been based on their convictions and their belief in our way of life. In these troublesome times, it is imperative that we give economic strength to our reliable friends, particularly those in distant strategic areas. When allocating sugar import quotas among foreign countries, I am confident that this committee and the U.S. Congress will further strengthen the cooperative relationship between the United States and the Republic of the Philippines.

Mr. Chairman, since the above statement was prepared I have had an opportunity to read H.R. 10496 which embodies the recommendations of the executive departments for amending the Sugar Act. The bill suggests that the Philippines be permitted to participate to a slight but limited extent in future growth of the domestic market and to maintain approximately its present position in filling deficits.

Under the Philippine Trade Revision Act of 1955 as I stated before, the responsibility for determining the quotas for the Philippines appears to rest solely with the Congress. Therefore, I ask that you give the Philippine quota provisions your careful study.

H.R. 10496 would permit the Philippines to supply 10.86 percent of the amount by which the U.S. requirements exceed 9,700,000 tons but in no event could such increase in the Philippine quota exceed 76,020 tons.

Mr. Chairman, I have already called your attention to the fact that actual imports into the United States from the Philippines have been well in excess of the basic quotas from 1960 to date, despite the fact that from 1960 through 1962 the Philippines had to plan their production on the basis of a 980,000-ton quota and since then they have had to plan on the basis of 1,050,000 tons.

If the Philippines are given credit for the additional quantities they were called upon to ship to the United States in 1963 and 1964 in excess of their basic quota of 1,050,000 tons, on the same basis that credit is given to a newcomer without a quota, the immediate addition to their quota would be 161,000 tons.

If they received credit for the amounts by which their shipments exceeded their basic quotas for the average of the past 5 years they would receive an immediate increase of 214,000 tons.

The Philippine industry is proud of its record of supplying sugar to the U.S. market despite the modest and fixed quota on which it necessarily based its production programs. Frankly, our industry does not understand why it should fail to be rewarded as others are for having performed as a regular and emergency supplier of sugar during the past several years. The Philippine industry is also disappointed that it alone among foreign suppliers appears to have been excluded from participation in the reallocation of the Cuban reserve quota.

We agree with H.R. 10496 to the extent that we favor the granting of quotas to aid underdeveloped countries. Let me remind you that the Philippines is an underdeveloped country.

Mr. Chairman, I shall not comment further on the proposed bill. To simplify the issue, I recommend that on the basis of fairness, reasonableness, and consistency that the Congress increase the Philippine basic sugar quota from 1,050,000 tons to not less than 1,250,000 tons.

May I offer my thanks and that of the Philippine growers and planters, for whom I have appeared, for this opportunity to address you and for the consideration which I am confident you will show them.

The CHAIRMAN. Thank you very much, Mr. O'Donnell, for your very fine statement.

I am sure that the committee will carefully consider it in executive session.

You do emphasize the fact that the Philippines have supported us in the past. But I want to remind you of the fact that they have not done so with respect to tobacco in North Carolina.

Mr. O'DONNELL. Mr. Chairman, I thought that we settled that in 1956. [Laughter.]

The CHAIRMAN. I thought that we did, too, but we have been able to get any tobacco in there. We had a delegation from my district go to the Philippines, and I think that they are still there. [Laughter.]

The CHAIRMAN. Thank you very much for your statement.

Mr. O'DONNELL. Thank you very much, Mr. Chairman.

The CHAIRMAN. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. We will stand in recess until 2:30 this afternoon. (Whereupon, at 12:35 p.m. the committee recessed to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order. Before calling the next witness, I want to recognize a former colleague of ours for just about half a minute. Mr. Charles H. Brown, representing the Fiji Islands. He has with him a friend that he would like to present, and then as I understand it, you will present your statement at a later time.

Mr. BROWN. That is right, Mr. Chairman. We have a distinguished visitor in the audience, Rattu Edward Cawobau, of Fiji, the independent vice chairman of the Fiji sugar industry and a member of the Legislative Council of Fiji, and a very distinguished citizen.

The CHAIRMAN. We are very delighted to have you here, sir, and I can assure you that you are represented by a very able man, a man who is held in high esteem by all the members of this committee, and a very persuasive sort of fellow. I am sure he will present your cause and represent you well. Charley, we will call on you later.

Now I take pleasure in recognizing Mr. Arthur Quinn, representing Ecuador, Panama, British West Indies, and British Honduras. Mr. Quinn, we will be glad to hear you now.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE SUGAR INDUSTRIES OF BRITISH WEST INDIES, ECUADOR, PANAMA, AND BRITISH HONDURAS; ACCOMPANIED BY ARTHUR LEE QUINN, WASHINGTON, D.C.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Arthur L. Quinn. I am associated in the practice of law with my son, Arthur Lee Quinn, who accompanies me today, under the firm name of Quinn & Quinn, with offices at 303 Commonwealth Building, 1625 K Street NW., Washington, D.C.

We are Washington counsel for privately owned sugar companies that produce sugar, principally for export, in the British West Indies, including British Guiana and Ecuador, Panama, and British Honduras.

The sugar interests of the British West Indies and British Guiana form the British West Indies Sugar Association and include the pro-

ducers on the Caribbean islands of Jamaica, Trinidad, Antigua, Barbados, and St. Kitts, and the territory of British Guiana, which is situated in northern South America. In this group, there are two independent nations; namely, Jamaica and Trinidad-Tobago, and there is every indication that from within this group there will be two more independent countries in the next year or two; namely, British Guiana, which will be called Guyana and a Federation of West Indian Islands, which will include St. Kitts, Antigua, and Barbados.

We represent the sugar industry of Ecuador which is composed of two commercial companies: the Valdez Sugar Co. and Sociedad Agricola Industrial.

In Panama, our clients are the two principal companies which are Compania Azucarera La Estrella, S.A. and Azucarera Nacional, S.A.

Our client in British Honduras is the Corozal Sugar Co., Ltd., which is the sole operator in that country.

The sugar industries of the countries and emergent territories which our clients are situated are among the most important in their respective economies. In all of these areas substantial shares of national revenues are derived from the sale of sugar—a basic agricultural commodity produced for sale abroad. The income realized from the sale of this commodity provides wages, salaries, and support for thousands of people and furnishes a large meaningful source of funds which are used to purchase industrialized products, which in turn are so essential to the economic development of these emerging lands.

In all of these countries the sugar industry is a large employer—in the British West Indies it is the largest. In Ecuador and Panama it ranks among the highest in importance in the field of agriculture, and in tiny British Honduras it has become in a brief period of time the single most important industry in that territory.

FOREIGN QUOTAS

The amendments to the Sugar Act, as proposed by the administration, and elaborated upon by the testimony of Under Secretary of Agriculture John Schnittker, of the Department of Agriculture, advocate the adoption of a particular formula in calculating the quotas to be allotted to foreign suppliers of sugar. In substance, this formula basically would completely disregard the quota allocations made by the Congress in the 1962 amendments to the act, and substitute instead quotas based upon total shipments of sugar to this country by foreign nations other than the Philippines during the years 1963 and 1964, with a double weighting being given to the latter year. I strongly urge the committee to reject this formula and exercise its prerogative of allocating quotas in a more equitable manner. I am strenuously opposed to the administration's formula for the following reasons:

1. The 2 years of 1963 and 1964 are not truly representative years: 1963 was a very abnormal year in sugar during which the world experienced the threat of severe shortages. Ordinary prices, normal production, and marketing patterns were thrown askew. In 1964 foreign countries were deprived by the Department of Agriculture of shipping 500,000 tons of sugar to the United States that they ordinarily would have been entitled to ship. To consider these 2 years alone, and especially to give double weighting to 1964, would be

grossly unfair to the majority of Western Hemisphere foreign participants in the U.S. sugar program. To take just these 2 years is not the proper route to a fair formula.

2. The administration's formula would completely ignore relative quota positions established by Congress in the 1962 amendments to the Sugar Act.

A drastic rearrangement of quota positions, as would take place as a result of the adoption of the administration's formula, would harm those countries which need the most help. It is impossible to establish sugar quotas to the satisfaction of all parties. Some will always feel they came out on the short end. But in 1962, this committee in particular and the Congress in general did an admirable job of assigning basic quotas and I feel that the considerations stressed then continue to be of merit today and should once more be paramount.

One consideration which is apparent from a review of the quota list, and also from other sections of the act, is that the Western Hemisphere nations were meant to be favored. This was sound thinking. The sugar that was to be allocated to the various countries was formerly Cuban sugar. It was in this hemisphere. Congress in its wisdom kept most of it here by allocating it to nearby friendly countries—where sources of supply were in close proximity to our shores. This should continue to be a rudimentary precept of U.S. sugar policy.

Before I leave this point, please let me quote from a 38-page pamphlet prepared by the staff of this committee, with the assistance of the Sugar Division of the U.S. Department of Agriculture, dated May 14, 1962, page 4, entitled "Basic Purposes of the Sugar Act":

Basically, the Sugar Act is intended to do three things: (1) make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within continental United States and to do this without consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and staple supply of sugar at reasonable prices; and (3) permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar. * * * The Sugar Act has given us this security in supplies and at the same time has done so at a minimum cost to the consumer and taxpayer. Retail sugar prices in the United States have been remarkably stable since the enactment of the Sugar Act. Our Sugar Act also has been successful, for the most part in attaining its third objective—the sharing of part of our market equitably among nearby friendly nations.

I reemphasize, sir, that there are three key words in what I have quoted, that is, "nearby," "friendly," and "equitably."

I would also stress that we represent small nations. They are nearby and they are friendly to the United States.

In addition to keeping most of the foreign sugar, exclusive of the Philippine quota, in this hemisphere, the 1962 amendments afforded a number of the smaller underdeveloped countries in this hemisphere an opportunity to participate in a valuable cash market. These are countries that desperately need to trade with the United States. In most instances all they have to trade with are tropical agricultural products. They welcomed the chance to gain permanent positions in our sugar market, and it would be a terrible setback to their economies to have these positions diminished—and many of them would be if the administration's formula is adopted.

The Government's formula would designate that large quantities of sugar be furnished by distant suppliers. This violates a basic purpose

of the Sugar Act; that is, the insuring of adequate sources of supply at all times. The past has proven the inadvisability of overextending our lines of supply for commodities. In time of world crisis, such as we are now experiencing, the United States could suddenly find itself lacking sufficient raw sugar for cane refineries on the densely populated east coast because of dependence to such a considerable extent on sugar that takes between 4 and 5 weeks to reach our ports.

3. The proposed formula would favor large producing areas over small ones.

If the administration formula were written into the 1965 amendments it would mean that a few countries, who fortunately had large quantities of sugar for export during 1963 and 1964, and shipped considerable amounts to the United States in those years, would gain quota position on those smaller nations who unfortunately did not have such large amounts to ship in those 2 years. As a further note, at least two distant suppliers, who would be considerably benefited by the administration's formula, in order to satisfy home consumption needs during 1965, chose to import substantial amounts of sugar so that they could sell as much sugar as possible in the U.S. market.

AN EQUITABLE APPROACH TO QUOTAS

In 1962 Congress enacted amendments to the Sugar Act that gave the domestic areas 4 years of certainty and the foreign areas, other than the Philippines, 2 years of temporary life. The domestic participants had twice as long to plan and market, and the foreigners were left dangling in the middle of a statutory period. With a minimum of 2 years being necessary from planting to first cutting of a crop of cane, foreign suppliers were left not knowing what would be in store for them in the U.S. market in 1965 and 1966. It is our earnest hope that this committee will solve the question of quotas in a manner that will enable the foreign participants to know what to expect and anticipate by way of future participation in the U.S. market. I submit this would have been done in 1962 had the Congress heeded your admonitions, Mr. Chairman, made in that year prior to hearings on the Sugar Act amendments. On February 23, 1962, in a letter to the Honorable Orville L. Freeman, the Secretary of Agriculture, you stated, Mr. Chairman, and I quote:

References in the budget to the quota provisions and the premium provisions to the sugar program indicate that serious consideration may be given to fundamental and substantial changes in the Sugar Act. We have heard talk about some kind of "global quota" or world market purchase program. If we should discontinue quotas and premiums, domestic consumers would be placed at the mercy of world markets or world prices. It occurs to me that if we ever needed the sugar program with quotas, premiums, and payments, we need it now.

And from the same letter:

The program has fostered friendly relations with many of our neighbors to the south and has made a great contribution to the development of such countries. All of this has been done at no cost to American taxpayers. The program actually shows a very substantial profit to the Treasury.

Within a matter of months after Congress enacted the 1962 amendments the New York spot price of sugar rose to \$13.20 per hundred-weight, the highest price since 1920. This would not have happened had your admonition been heeded, Mr. Chairman.

The foreign suppliers can only surmise that the approach to the sugar program of the past administration, much of which unfortunately became law in 1962, was designed to discourage foreign participation in our market. It would appear it was conceived to provide an interim program to tide things over until such time as Cuba reentered our market. If this was the case the program was ill conceived and we hope this will prevail no longer.

Historically the first sugar legislation was passed in 1934. Until 1961, the only foreign country other than the Philippines which enjoyed a substantial position in the U.S. market was Cuba, and that position was most substantial indeed, in that Cuba contributed approximately one third of the U.S. consumption requirements.

Extensive participation by other countries was written into law for the first time by virtue of the 1962 amendments to the Sugar Act. Those portions of the Sugar Act which pertained to foreign countries, other than the Philippines expired on December 31, 1964. The 1962 amendments fixed quotas for the domestic areas and the Republic of the Philippines to run until December 31, 1966. Therefore, these quotas are still in effect.

The quotas for foreign countries other than the Philippines in effect for this year were improvised by the Department of Agriculture by allocating quotas on the basis of a formula calculated according to total shipments by foreign countries to the United States during calendar years 1963 and 1964, with double weighting being given to the latter year. The formula which is in effect today is also the basis for the formula which the administration advocates for permanent adoption by this committee.

Until 1962, with the exception of Cuba, only two other countries in the Western Hemisphere enjoyed a history of substantial participation in the U.S. market. They were Peru and the Dominican Republic. Because of the dominant position enjoyed by Cuba until the severance of diplomatic relations with that country in 1961, shipments by these two countries to the United States were comparatively small, considering the factor these two countries had been in the act since 1934—never more than 100,000 tons for each country in a single year, and this prevailed up until 1962.

The 1962 amendments awarded quotas to 16 Western Hemisphere countries and 7 non-Western Hemisphere nations. Additionally, the amendments to the so-called honey bee bill, enacted after the passage of the 1962 amendments, gave Argentina a quota of 20,000 tons and increased the quota of the Dominican Republic by an additional 130,000 tons. This is the status of quotas today.

The 1962 amendments required that special consideration be given to countries of the Western Hemisphere both in authorizing importation of "global quota" sugar and also in the proration of quota deficits. There are strong considerations why this preference should not only be continued but elaborated upon.

As has been stated before, all the sugar to be allocated among the several foreign nations, except the Philippines, was formerly Cuban sugar; that is, sugar within this hemisphere. Cuba, prior to Castro, was the American sugar bowl, and as such, provided a proximate source of supply which could be dipped into at any time in virtually any amount. In order to replace this handy source, the United States

should now provide itself with a set of smaller sugar bowls, of varying sizes, but all within easy reach. It would be a mistake to depend too heavily upon a few large sources, but at the same time the lines of supply should be short. Sugar supplied by the various countries of the Western Hemisphere is the answer.

The United States can obtain sugar from its neighbors in a matter of days as against 4 or 5 weeks actual sailing time for sugar coming from the far reaches of the globe. The dreadful experience of World War II demonstrated the advantages of having sugar supplies close to our shores.

Our good neighbors to the south want to trade with us; not be the constant recipients of our aid. They have so few products with which to trade, that tropical farm products, and particularly sugar, in many instances, forms the lifeblood of their economies. The less-developed nations within our hemisphere, which we are striving so earnestly to assist in their development, must depend principally on agriculture and commodities raised for export in order to allow them to exist and to give them the dollars to purchase the hard manufactured goods, exported from this country, so essential to their development. I wish to again stress that one of the three basic purposes of the Sugar Act is to promote international trade. This committee, in keeping with this avowed purpose of the sugar program, has within its power the means of accomplishing a tremendous amount of good for our neighbors in this hemisphere particularly the smaller, struggling nations, by means of equitably distributing sugar quotas among them.

In light of the foregoing we recommend that the committee consider in its allocation of foreign country quotas the following points:

(1) Nations be permitted to retain the basic quotas awarded them by Congress in 1962.

(2) As enunciated in the 1962 amendments, preference be given to nearby Western Hemisphere areas.

(3) The temporary allocation to the Dominican Republic, made by virtue of the amendments to the "Honey Bee bill" of 1962, be redistributed among all Western Hemisphere areas, including, of course, the Dominican Republic.

(4) If a time period is to be used in calculating the allocation of any quantities of sugar, then, the period 1961-64, inclusive, should be used, it being the only true and fair representative period of country-by-country performance.

In addition to the foregoing, I wish to make the following recommendations to this committee with respect to other provisions of the proposed act:

The so-called Cuban reserve should be phased out over a period of years and incorporated into the basic quotas of the Western Hemisphere areas, and in no event should the period of years be longer than 10 years.

Quota deficits should be restricted for reallocation to Western Hemisphere areas.

Growth participation should be restricted to Western Hemisphere areas for the period of the act.

Having reviewed that, I regard as necessary considerations regarding allocations of foreign sugar quotas, I would now like to summarize the cases presented by each of the four areas we represent. Time does

not permit a reading of detailed statements on behalf of each area and I will, with your permission, Mr. Chairman, offer the statements to the clerk of the committee for insertion in the record following my testimony.

All of these areas, the British West Indies, Ecuador, Panama, and British Honduras are friendly nearby Western Hemisphere nations in close proximity to the United States. They all have ample supplies of sugar available for export to the United States. Each was accorded a basic quota position in the United States market as a result of the 1962 amendments, for which they are extremely grateful. It is their earnest desire to not only retain their positions but significantly increase them. In keeping with this desire they are willing to hold in reserve, exclusively for the United States, up to 50 percent of quotas awarded them.

BRITISH WEST INDIES SUGAR ASSOCIATION

In May 1962, when I testified before this committee on behalf of the British West Indies Sugar Association, I called attention to the strategic importance of this group of West Indian islands and British Guiana. An agreement between the United States and the British Government during World War II permitted the United States to establish military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961, the "Bases Agreement," as it is referred to, was renegotiated directly by the United States with the individual territories, for a 17-year period until 1978. These areas are not only friendly but their strategic value persists.

The British West Indies formerly consisted of a group of British Colonial Islands and British Guiana. As I pointed out at the beginning of this statement it now includes two independent nations—Jamaica and Trinidad-Tobago, and will soon probably include two more—British Guiana, which will be called Guyana, and a Federation of West Indian Islands.

The British West Indies was accorded a basic quota position in 1962 of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows:

In 1961, 265,845 short tons; 1962, 181,661 short tons; 1963, 141,356 short tons; 1964, 142,228 short tons; 1965, 126,145 (authorized).

The above figures indicate average shipments during the period 1961 through 1964 to be 182,772 tons. This is indeed a creditable performance record and we hope the British West Indies will be given the opportunity to improve upon it. The members of the British West Indies Sugar Association are willing to supply the United States as much as 300,000 tons a year. Trade with this nearby area continues to be brisk and it remains a significant outlet for American products. In 1964 alone over \$160 million worth of U.S. goods were sold to the group.

In the West Indies sugar is the most important agricultural commodity produced and the industry is by far the largest single employer. Continued sales of sugar to the United States are of vital importance to the continued growth of the economies of these areas.

ECUADOR

The Ecuadoran sugar industry is an example of the success of private enterprise in its responsible performance of its obligations to its own domestic market and the national economy as a whole. The gradual expansion of the industry has been of great benefit to the nation's general economic growth and it has contributed substantially to improving the nation's standard of living. Sugar has been elevated from the status of an imported commodity to the fourth highest export.

There are approximately 17,000 workers in the Ecuadoran sugar industry, and they are among the best treated sugar workers in Latin America. These workers with their families represent approximately 70,000 people who are dependent upon the industry for their livelihood. Ecuadoran shipments of sugar to the United States have been since 1961 as follows:

In 1961, 31,010; 1962, 66,861; 1963, 57,977; 1964, 58,106, and 1965 51,121 (authorized).

Ecuador continues to become an increasingly important outlet for the U.S. exports. In 1964 the total value of our exports to that country climbed from the 1963 figure of \$56 million to more than \$83 million.

In 1962 Ecuador was awarded a basic quota of 25,000 tons but it can be seen from the above that she has averaged shipments to the United States of 53,488 tons, 1961-64, inclusive. It stands ready and able to supply the United States with amounts in excess of 90,000 tons per year. We hope the committee will look with favor upon the exemplary performance and proven dependability of Ecuador and award her a fair and equitable quota.

PANAMA

Panama, the crossroads of world trade, is of tremendous strategic importance to the United States. Time and again the vital importance of the Panama Canal to the United States has been proven.

In the past, the economy of the nation of Panama has been closely linked to that of the Panama Canal Zone. The result has been neglect to important sectors of the economy, causing a huge trade gap to come about. The biggest beneficiary of the Panamanian necessity for importation has been the United States. 1964 figures alone show imports of U.S. goods totaling approximately \$110 million while exports to the United States amounted to only \$40 million.

Because of our vital concern with the canal we must simultaneously be vitally concerned with the economic well-being of the country of Panama. We are making concerted efforts to assist the country in achieving a viable economy by developing basic industries that would enable the nation in its attempt to close the trade gap. The largest industry in Panama is agriculture and substantial progress is being made in increasing production of tropical products for export. Of foremost importance is sugar. A real stimulant to the national economy could be provided by dollars received from additional sales of

sugar to the United States. The sugar industry is prepared to ship in excess of 30,000 tons of sugar each year to the United States. We earnestly feel that Panama, because of its unique position in this hemisphere, should be assisted in every possible way economically.

We urge the committee to consider the very special situation in Panama and increase her basic quota to an amount equal to that of her neighbors in Central America.

BRITISH HONDURAS

British Honduras is a tiny corner of Central America—a dependent territory of Great Britain which is advancing toward independence. This poor, underpopulated country, as it hangs suspended in the limbo of semiindependence, is unable to obtain direct financial and economic assistance in the manner of a sovereign nation. She cannot participate in our AID program nor deal directly with multinational financial institutions. Therefore, if she is to achieve a viable economy the only significant means is by the infusion of private capital into her economy. British Honduras perpetually suffers from a trade deficit and, as in the case of Panama, the biggest beneficiary of this is the United States, which usually enjoys a better than two to one advantage.

However, in the recent past, this land, with its great, untapped potential for agricultural development, has seen large-scale commitment of private funds in only one industry—sugar. In 1963 Tate & Lyle, the leading British sugar concern, purchased the one existing sugar mill and committed itself to expend over \$20 million in improvements of existing facilities, purchase, and planting of large quantities of land and construction of a large new factory. The impact of this expansion of the sugar industry upon the national economy of British Honduras has been astounding.

Sugar will become the largest industry in the country within a brief time. Hundreds of farmers are being given the opportunity to plant sugarcane, hundreds of men will find badly needed employment as facilities are constructed and production increases, and most importantly, if the Corozal Sugar Co., as the local operation is known, is a success, other capital will undoubtedly be attracted to the country.

The importance of the sugar industry to British Honduras cannot be overemphasized. In order to be a successful industry it must be able to sell its product, and it now implores this committee to permit it to gain an increased share of the United States market. In 1962 British Honduras was awarded a quota of 10,000 tons. It would like the opportunity to supply more.

The proportional increase in British Honduras quota would be minute in comparison to the total amount of sugar this committee is being called upon to allocate among the various foreign nations. But, as in the case of Panama, a little could do an enormous amount of good for one of our very small and struggling neighbors.

We hope this committee will favor this groping little country by awarding it an equitable share of our sugar market.

CONCLUSION

Because of the time limitations I have summarized the cases of quota participants we represent. I respectfully request the members of the committee to carefully consider the appending statements submitted for each area, which supplement this testimony.

In conclusion, Mr. Chairman, I wish to thank you and the members of this committee for giving me the opportunity to testify before you today. And I wish to commend this committee, and in particular the chairman, for the prudent and farsighted approach taken on sugar legislation.

I think I am qualified to offer such praise because I have been representing sugar interests as long as Congress has been legislating on the commodity—since 1934. I have attended every sugar hearing before this committee and testified at most—beginning in 1937.

For 28 years, the sugar program was so successful that it was worthy of the highest praise attributable to a regulated agricultural program—the public never knew it existed. But in 1962 a model law was harmfully altered. I fervently hope that the wisdom of this committee will once more prevail so that the wise and realistic approach which it has consistently espoused will again become the will of Congress and the law of the land.

Mr. Chairman, that concludes my statement. I would like to offer for the record the appended statements which I referred to in my testimony, and I would also, if you please, sir, like to offer for the record a communication from the Minister Counselor of Economic Affairs of the Ecuadoran Embassy, Mr. Gustavo Polit.

The CHAIRMAN. Thank you very much, Mr. Quinn, and without objection those articles will be admitted for the record.

(The documents referred to follow:)

APPENDING STATEMENTS OF QUINN & QUINN ON BEHALF OF THE BRITISH WEST INDIES SUGAR ASSOCIATION SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

The British West Indies Sugar Association represents the sugar industries of Antigua, Barbados, British Guiana, Jamaica, St. Kitts, and Trinidad-Tobago. Jamaica and Trinidad-Tobago are independent nations. Antigua, Barbados, and St. Kitts are British colonial islands in the Leeward and Windward chains in the Caribbean, and British Guiana is a British dependency on the north coast of South America. I would like to briefly acquaint the committee with each of these entities.

JAMAICA

Jamaica is formerly a British colony which attained its complete independence on August 6, 1962. It is now a member of the British Commonwealth of Nations. It is a member state of the United Nations Organization and various other world bodies and will most probably soon become a member of the Organization of American States. Jamaica was discovered by Columbus in May 1494 and was originally occupied by the Spanish. The English captured the island in 1655 and colonization proceeded slowly. Sugar soon became the staple crop of the economy.

Jamaica is situated in the Caribbean Sea south of the eastern extremity of Cuba. It is 146 miles long and between 51 and 22 miles wide, and 4,411 square miles in area. Topographically it separates into the coastal plains around the island divided by the Blue Mountain Range in the east and the hills and plateau of limestone which occupy the central and western areas of the interior. The island has a tropical climate which is modified and made equable by the presence of the sea, warm trade winds, and regular land and sea breezes. It has a conglomerate population of approximately 1,750,000 people which lives in congeniality.

Although industry has rapidly developed and now actually contributes more to the gross domestic product than does agriculture, the latter is likely to remain the basis of the island's economy for many years as it offers the greatest potential to offset the unfavorable balance of trade. The extraction of bauxite ore is the largest item of export and contributes more to the national economy than does any other industry. Agriculture continues to employ more individuals than does any other phase of the economy, and the principal products raised are sugar, bananas, citrus, cocoa, coconuts, coffee, and various other tropical products and vegetables. The sugar industry is the largest employer on the island. Sugar-cane is grown on both small farms and estates, and production on farms is greater than that on the larger estates. This is the island's most important crop from the point of view of revenue and employment and after bauxite and alumina, is the most valuable export commodity. There are 18 factories and 1 refinery handling the island's production of cane. The refinery byproducts, rum and molasses, also play an important part in the economy of the island, figuring in the export lists and earning a fair amount of currency. Molasses is also being used to an increasing extent by the local livestock industry. The principal sugar markets are the United Kingdom, the United States, and Canada.

TRINIDAD-TOBAGO

Trinidad-Tobago is also a former British colony and became a member of the Commonwealth of Nations following the attainment of its independence on August 31, 1962. It is a member of the United Nations and is represented on its principal agencies. Like Jamaica, Trinidad was discovered in 1498 by Christopher Columbus, who took possession of the island on behalf of the Crown of Spain. The British took possession of the island in 1797. The island of Tobago, which lies 21 miles northeast of Trinidad, changed hands several times before coming under the British Crown in 1814. Since 1888 it has been linked with Trinidad and now the two islands form a single nation.

Trinidad is the most southerly of the West Indian Islands. It lies immediately above Venezuela in the Caribbean Sea. Tobago lies to the northeast of Trinidad. The land area of Trinidad is 1,864 square miles. Tobago is 116 square miles, giving a combined total of 1,980 square miles. The average length of Trinidad is 50 miles, width 37 miles; comparative figures for Tobago are 26 and 7½ miles. The population is approximately 900,000 people.

Trinidad is rectangular in shape with a horn or peninsula projecting from each corner, those at the northwest and southwest extending toward the mainland of South America. Three mountain ranges traverse the island east to west. Its west coast is lowland, rising gradually toward the interior with fertile hills, plains, and valleys.

Tobago is mountainous in the center and northeast and undulating and flat in the south and west. The highest peak is 2,100 feet. Deep fertile valleys run down from either side of the main ridge. The tropical heat in Trinidad is tempered by prevailing winds and certain geographical factors. Both islands are practically free of storms and are at their best in the late North American winter and early spring. At that season they are regarded as health resorts and yearly are becoming more and more popular with visitors from cooler countries.

The largest dollar earner for Trinidad is petroleum. Chief agricultural commodities are sugar, cocoa, coconuts, coffee, root crops, and livestock. Sugar is one of the islands most important crops and is grown on the west coast. It has always played a major part in the economy. Cultivation covers some 95,000 acres of which 53,000 are on estates owned and operated by the sugar companies, the remainder on some 12,000 small farms. The territory's mineral wealth lies chiefly in its petroleum deposits and its natural asphalt lake. No sugar cane is grown in Tobago.

BARBADOS

Barbados is the most easterly of the West Indian Islands and has been a British colony since its discovery in the early part of the 17th century. It is a green tropical island with a varied and attractive coastline, hidden coves and sandy beaches, backed by vivid green sugar plantations and soft undulating hills. It lies some 300 miles north of the coast of South America. It is a fairly small island somewhat pear shaped and only 21 miles long by 14 miles at its widest point near the south, with a total land area of 166 square miles. Its highest point is 1,105 feet near the center of the island. Lying well out in the Atlantic it

enjoys one of the healthiest and most invigorating climates in the West Indies. It has a varied population of approximately 250,000 people, including Negroes, whites, and mixed peoples.

The Government is that of a British Crown Colony. Internal self-government was achieved in 1961, and it is projected that Barbados will be the capital of a new nation consisting of a group of West Indian islands.

The island has a total land area of 106,240 acres with some 68,500 acres of arable land. The land is for the most part intensively cultivated, and sugarcane accounts for some 60,000 acres alone. On the sugarcane lands, however, some 15 percent, or about 9,000 acres, produce food crops as a rotation. Sugarcane, which now provides both the basis for the economy and the main source of employment, has been cultivated since about 1640. This highly intensive crop provides more work per acre than any other, can be economically grown and maintains soil fertility. Roughly a quarter of the production is in small land holdings and the remainder on large estates. The small land holdings are about 30,000 in number, with an average size of a third of an acre each and are cultivated by part-time farmers who sometimes work as laborers on the estates or in the sugar factories for a part of the year. The estates, which comprise some 240 plantations of over 10 acres each, are mainly under private ownership of families who settled in Barbados in the 17th and 18th centuries. Other crops are cotton, vegetables, fruits, and livestock.

BRITISH GUIANA

British Guiana, the largest member in land area of the British West Indies Sugar Association, is situated on the northern coast of South America, lying between Venezuela on the west and Dutch Guiana (Surinam) to the east. It is a British colony with full internal self-government and stands on the threshold of independence. It is the only British colony in South America. It will emerge as a nation under the name of "Guyana." The country was first discovered by the Spanish and finally became a British possession in 1831. It is a green subtropical country nearly as large as Great Britain, roughly rectangular in shape penetrating some 400 miles southward to Brazil from the Atlantic seaboard. The coastline extends eastward for 270 miles from the Venezuelan border.

The country's land mass is over 83,000 square miles, but the majority of its approximately 630,000 people live and work on only 4 percent of its surface. The population is racially heterogeneous, and the country is popularly known as the "Land of Six Peoples," with the principal races being Negro, East Indian, Portuguese, Chinese, and European, as well as the remnants of Amerindian tribes which live mainly in the forests and savannahs.

The economy is narrowly based so that it is dependent to a very great extent on only a few products such as sugar, bauxite, and the cultivation of rice.

It is usual to regard the country as having three geographical zones which may be designated as the coastal strip, the middle belt, and the highland region. Each has distinctive characteristics. The coastal zone is a densely populated and intensively cultivated ribbon of land running along most of the coastline and for a short distance along the banks of the principal rivers. Cultivation rarely extends beyond 10 miles inland. South of the coastal plain the land rises to a gently undulating area of scrub plain and forest. This is an area which is currently undergoing considerable mineral exploitation, particularly bauxite, gold, diamonds, and manganese. The highland region is a region of high mountains beyond which lies a great area of savannah.

In terms of value of production, number of wage earners employed, and of general influence, sugar is the most important industry in the country. Traditionally, it is the industry upon which the country has always depended. The bulk of the cane is grown on plantations owned by two large companies, which also operate the processing factories, but there are a number of small farmers. Sugar and sugar preparations account for approximately 40 percent of the country's exports.

ANTIGUA

Antigua is located in the Leeward Island chain and for ministerial purposes has dependencies of the islands of Barbuda and Redonda. The three together are considered a single British colony. Antigua, as is true of many of the other areas of the West Indies, was discovered by Christopher Columbus in 1493. It came into British hands in 1632.

These are small islands, all three having a total land area of only 170 square miles. Antigua is a most pleasant island with deeply indented shores lined by

reefs and shoals with many natural harbors. The extreme heat and humidity normally encountered in tropical regions are tempered by the almost continual sea breezes and limited rainfall making "dry and sunny," perhaps the best overall description of the island's climate.

Basically, the population of approximately 65,000 is of African descent. The economy is based primarily on two agricultural crops, sugar and cotton. Sugarcane is grown on some 12,000 acres at present. Harvesting is very much dependent on rainfall and availability of labor (some of the required force must be brought from nearby islands). The island has one sugar factory.

ST. KITTS

The Island of St. Christopher in the Leeward chain (more commonly known as St. Kitts) was discovered and so named by Christopher Columbus in 1493. With the adjacent islands of Nevis and Anguilla it constitutes a single British colony bearing the name of all three islands.

It was the first of the British West Indian Islands to be settled and became a British possession in 1783.

St. Kitts has a total area of 65 square miles. Its central area is mountainous and forest clad. The lower slopes of the mountains are cultivated almost entirely in sugarcane. Although the climate is hot it is a remarkably healthy one with extremes tempered by ocean winds. The population is approximately 50,000 people.

The principal industry of St. Kitts is the raising of sugarcane, which is grown on approximately 15,000 acres.

THE BRITISH WEST INDIES SUGAR ASSOCIATION

The areas whose sugar industries comprise the British West Indies Sugar Association, extend in an arc of islands from Jamaica in the north down to Trinidad in the south and on to the territory of British Guiana on the continent of South America. It can thus be seen that the British West Indies and British Guiana comprise a strategic chain of friendly territories in the Caribbean, an area that becomes more vital to the United States every day. Recognizing this importance the United States recently renegotiated the bases agreement made between the British and United States Governments during World War II to provide military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961, the United States dealt directly with the respective territories and the agreement was extended for a 17-year period.

All six of these countries enjoy a fully democratic form of government, with universal adult suffrage and governments wholly elected by the people in free elections. Government policy is in the hands of "Cabinets," formed from the elected members of the majority political party in power in the respective parliaments.

As has been noted Jamaica and Trinidad-Tobago are independent nations. It is anticipated that the other countries also will shortly become fully independent either as individual units, as in the case of British Guiana, or in combination, in the case of Antigua, Barbados, and St. Kitts.

All of these areas have much in common and much to be proud of by way of achievement and progress. They all have multiracial societies which have enviable records in the field of race relations. They have been repeatedly congratulated by world leaders on the harmonious blending of several races into a single people.

Industrial relations are especially advanced in comparison to other developing countries. Labor is highly organized and the trade union system has been functioning for two decades. The normal processes of wage agreements, conciliation, arbitration, and the like are a familiar pattern. The trade unions of the area are federated in the Caribbean Congress of Labor and are fully informed of developments and conditions throughout the area and the world in general. The West Indies can uniquely claim to have reached the stage of full consultation and negotiation in industrial relations along the lines of the modern patterns of the free world.

The sugar industry of the West Indies is proud of the fact that labor shares virtually automatically in any increased revenues that accrue to that industry. In all the territories of the area a levy is imposed on sugar for the welfare of the workers in the industry, including provision for housing schemes, pensions, medical services, community centers, and playing fields. These expenditures cost millions of dollars annually.

In the West Indies agriculture is the major employer and sugar provides the firm structure on which diversified economies can be built. No less than 18 percent of the labor force in these territories is directly employed in the sugar industry.

In some developing areas of the world, particularly Latin America, a criticism that is often heard is that the more prosperous elements of society make no effort to aid the poorer classes. The tax systems ring with inequity. This certainly cannot be said of the West Indies where taxation on personal and company incomes is levied at high rates and taxes are collected. As far as the sugar industry is concerned a direct levy on export sugar is made in all territories—for stabilization of the industry, rehabilitation and improvements in field and factory and, most importantly, for the welfare of workers. The sugar industry also makes a considerable contribution to local treasuries through excise duties.

IMPORTANCE OF THE SUGAR INDUSTRY

It can already be seen that the sugar industry is of vital importance to the areas of the British West Indies but let us now be more specific as to just how major a role the industry really plays in their economies. It may be accurately stated that sugar has been the economic mainstay for centuries. In some of the territories it represents virtually the whole source of revenue and production capacity, while in others it is a considerable part of the national income. The sugar industry provides the means of livelihood and sustenance for about one-quarter of the total population of the area, and the reasons for this dependence upon sugar are sound. Unlike Cuba, Mexico, Brazil, etc., the area of cultivatable land is scarce relative to population. The West Indies must grow sugar because it is the only crop that can be so profitably grown in small tropical areas.

In terms of employment the following chart vividly portrays the part sugar has in providing work in the West Indies:

	Directly employed by sugar companies	Employed by cane farmers (ex- cluding self- employed)	Total	Estimated total labor force	Percentage (3) of (4)
	(1)	(2)	(3)	(4)	(5)
Antigua.....	2,500	1,200	3,700	25,000	41.8
Barbados.....	21,000	-----	21,000	109,000	19.3
British Guiana.....	19,000	-----	19,000	232,000	8.2
Jamaica.....	28,500	50,000	78,500	650,000	12.1
St. Kitts.....	6,000	-----	6,000	10,000	60.0
Trinidad.....	19,000	33,000	52,000	278,000	18.7
Total.....	96,000	84,200	180,200	1,304,000	13.8

Current annual wages as paid by sugar companies, estates, and factories are as follows:

	<i>U.S. dollars per annum</i>
Antigua.....	1,144,200
Barbados.....	15,300,000
British Guiana.....	16,563,857
Jamaica.....	14,803,886
St. Kitts.....	2,414,864
Trinidad.....	12,750,798
Total.....	62,977,605

NOTE.—In the case of Jamaica, the figure is for nonstaff workers only.

As a further note on wages it should be emphasized that the great majority of sugar workers are paid at higher rates than the minimum required by law. Bonus payments are made to sugar workers in all territories. Sales of sugar to the United States in the past few years, and the increased price of world market sugar, improved the revenues of sugar companies. These additional revenues were divided between the workers and employers, by agreement with the trade unions, and paid out as additional bonuses. It can be seen there-

fore, that everyone benefits from sales to the United States—down to the lowest paid employee.

The value of sugar and sugar products in relation to national income and total exports is indicated by these two charts:

National income

[Money in U.S. dollars]

	Total value of sugar, rum, and molasses produced per annum	Total gross domestic per annum	Percentage (1) of (2)	Per capita national income
	(1)	(2)	(3)	(4)
Antigua.....	\$3,424,200	\$13,500,000	24	\$225
Barbados.....	31,380,000	76,560,000	41	324
British Guiana.....	42,600,000	150,000,000	28	205
Jamaica.....	55,056,462	707,000,000	8	384
St. Kitts.....	5,459,795	13,693,380	40	159
Trinidad.....	37,819,800	597,600,000	6	510
Total.....	175,740,257	1,558,353,380	11	-----

Exports

[Money in U.S. dollars]

	Total value of exports of sugar, rum, and molasses	Total value of all visible exports	Percentage (1) of (2)
	(1)	(2)	(3)
Antigua.....	\$3,270,000	\$3,540,000	92
Barbados.....	29,616,000	42,000,000	71
British Guiana.....	40,800,000	¹ 94,800,000	43
Jamaica.....	46,046,972	² 248,360,000	19
St. Kitts.....	4,620,000	4,800,000	96
Trinidad.....	28,229,654	³ 356,360,000	8
Total.....	152,582,626	749,860,086	20

¹ Includes bauxite to the value of \$17,700,000.

² Includes bauxite and alumina to the value of \$79,606,000.

³ Include petroleum products to the value of \$175,560,000.

It is essential to stress the importance of the sugar industry to the small farmer—as opposed to the large companies that operate large estates, for the well-being of these farmers is vital to the stability of their countries. These are the people who supply vast quantities of cane to the factories for processing. This table below shows the number of independent cane farmers by territory and the annual payments made for cane supplied to factories.

	Number of cane farmers and small holders	Payment for cane ¹
Antigua.....	3,000	\$2,106,600
Barbados.....	16,000	21,900,000
British Guiana.....	2,464	367,118
Jamaica.....	24,148	22,956,839
St. Kitts.....	-----	3,285,271
Trinidad.....	11,000	4,946,917
Total.....	56,612	55,562,745

¹ In U.S. dollars.

Production of sugar in the West Indies is currently over 1,350,000 long tons. It has increased considerably in recent years. The British West Indies Sugar Association ships approximately 900,000 long tons to Great Britain and Canada each year. With total local consumption of approximately 140,000 long tons the West Indies and British Guiana can make available at least 300,000 long tons to the U.S. market.

In 1962 the British West Indies was accorded a basic quota position of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows: 1961, 265,845 short tons; 1962, 181,661 short tons; 1963, 141,356 short tons; 1964, 142,228 short tons; 1965, 126,145 short tons (authorized thus far).

These figures indicate average shipments during the period 1961 through 1964 to be 182,772 short tons. This is indeed a creditable performance record and it is our hope that the British West Indies will be given the opportunity to improve upon it.

The member countries of the British West Indies Sugar Association are still very much in the "underdeveloped" category. Definite efforts are being made to diversify their economies but for quite some time in the future they will have to rely greatly upon the production or extraction of basic commodities. It does these countries no good to produce unless they can sell their products abroad in stable markets for adequate prices.

We have attempted to emphasize just how important sugar is to the British West Indies. It is a basic commodity of paramount importance to these countries. We hope this committee will continue to favor these areas by making available to them an ever-expanding market for their sugar, and permitting them to continue to prove they are a dependable proximate source of supply.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY
OF PANAMA SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

The Republic of Panama forms an isthmus that connects the gigantic land mass of South America with Central and North America. It is bounded on the north by Costa Rica and the Caribbean Sea and on the south by Colombia and the Pacific Ocean. Lying only 9° above the Equator and being bisected by the Panama Canal it has become the crossroad of world trade and is the geographic center of the Western Hemisphere. It is a mountainous country with two ranges which together traverse its entire length. The mountains enclose many fertile, well-drained valleys and plains. In the eastern part of the country there are great expanses of intense tropical jungle.

The nation is 480 miles in length and from 37 to 110 miles in width. It has a land mass of 28,576 square miles, which by way of comparison makes it approximately one-half the size of Florida. Approximately 65 percent of Panama's total population live in rural areas. Although the soil is very fertile and the rainfall and other climatic conditions are favorable for growing a large variety of tropical fruits and vegetables, only a fraction of the rich interior plains and valleys has been brought into cultivation. It has been said that the Panama Canal, which traverses the heart of the country, is the primary reason for the neglect of Panama's rural areas. Analysts of the economic conditions of the nation have found that much of the labor force, instead of being employed in more productive areas, is concentrated in the terminal cities, the economies of which are closely linked to the Canal Zone. Other students of the subject have attributed the neglect of the rural areas to various other factors, such as lack of adequate farming and transportation facilities, large-scale land speculation, and an inefficient land tenure system.

The leading industries of Panama are agriculture, forestry, fishing, mining, and to a small extent light industry. In the area of agriculture the principal activities are livestock raising and the growing of bananas, coffee, cocoa, sugar, rice, maize, and tobacco. The forestry and mineral industries are conducted on a rather small scale but there is great untapped potential for both. The fishing industry consists of several major companies which export the bulk of their catches to the United States, the most important item being shrimp.

Towering over Panama's past and future is the Panama Canal which lies within the Canal Zone, the U.S. Government Reservation. It occupies 375 square miles of land and 275.52 square miles of inland and tideland waters. The Canal Zone occupies a relatively small area in the nation of Panama. Its total

land area is slightly over 1 percent of Panama, and the zone's population of approximately 47,500 usually runs about 4 percent of that of Panama's, whose population in 1964 was estimated to be approximately 1,250,000 people. The canal is an omnipresent component of Panamanian national life, and has always been the focal point for internal politics.

The strategic importance of the Panama Canal, particularly to the United States and also to this hemisphere, has often been proved. During World War II, 5,300 combat vessels transitted the canal and 8,500 other ships carried troops or military cargoes through it. This was an implied saving in much time and money for allied nations. A similar phenomenon occurred in 1953 during the Korean war. Over 1,000 U.S. Government vessels used the Panamanian waterway to carry supplies to the United Nations forces in the Far East. And now, once again, in the ever-widening war in Vietnam, the strategic importance of the canal is being reemphasized. Already, crack fighting units and the materials to support them are passing through this vital waterway bound for the conflict.

The strength of the United States, which rests in large measure upon our Nation's economic well-being, depends in turn upon the availability of raw materials for its ever-growing industry. It has been said that the closing of the Suez Canal in 1956 demonstrated the need to keep the Panama Canal in effective operation, if serious destruction of the economies and defense capabilities of many of the free nations of the world are to be avoided. In 1962 approximately 22,189,000 long tons of U.S. exports and 17,669,000 tons of U.S. imports, and 5,620,000 tons of cargoes moving in the U.S. intercoastal trade passed through the Panama Canal. The canal permits a substantial saving for the United States in both intercoastal and foreign trade. By reducing transportation costs, it benefits the American consumer.

That the United States needs the Panama Canal has been aptly demonstrated by the fact that it is currently exploring the possible construction of an additional canal, the site of which will probably also be in Panama. Because the United States relies so heavily upon the existence of the canal, it must of necessity be continually and vitally concerned with the economic stability of the nation of Panama. For years income from the lease of the canal has largely supported the national economy. One-third of all Panamanian revenue derives from the zone, through wages paid employees and expenditures by and on behalf of temporary U.S. personnel assigned to this zone and maintenance of canal facilities.

With such emphasis upon the zone, important sectors of the economy have been neglected, but in recent years steps have been taken to diversify the economy and reduce the tremendous gap that Panama perpetually suffers in its ratio of imports to exports. In 1964, for example, Panama had total imports from all sources of \$169.1 million, an increase of about 3 percent over 1963, while exports were \$59.1 million, an increase of 22 percent over 1963. The biggest beneficiary of the Panamanian necessity for importation has always been the United States. In 1963 direct imports from the United States to Panama amounted to \$74 million, as compared with \$66.7 million in 1962. This represents approximately 45 percent of all total foreign procurement for a country. Figures for 1964 show imports from the United States amounted to \$109,835,775, while exports to this country amounted to only \$40,147,690—a great deficit in our favor.

As has been noted before, only a fraction of the fertile lands that could be devoted to agricultural production have been put under cultivation. But in recent years concerted efforts have been made to increase the production of basic commodities. The Government is conducting programs for the purchasing of crops at fixed prices, lending agricultural equipment to farmers, and advancing money to encourage the setting up of new agricultural enterprises, as well as the development of existing ones. The Ministry of Agriculture, Commerce, and Industries is coordinating plans for the Economic Development Institute and the Agrarian Reform Commission. These agencies have concentrated on planning, increasing, diversifying, and rationalizing agriculture and thus far have been achieving good success.

In the same vein it should be noted that there is considerable interest in Panama's participation in the Central American Common Market. The present Government is said to believe that Panama has no choice but to associate itself with the Common Market to obtain access to a market of 15 to 16 million people. President Robles has recently announced the creation of a Foreign Trade

Advisory Department which will deal principally with matters pertaining to the Central American Common Market.

The U.S. Agency for International Development has instituted various programs in cooperation with the several agencies of the Panamanian Government. It has recently approved a \$2.5 million loan to the Panamanian Government to foster agricultural development. Also there have been recently expanded loan programs in this sector by two local private U.S. banks. In its capacity of a principal participant in activities of agencies of the United Nations and the various multinational financial institutions the United States has also done much to foster the economy of Panama.

However, it should be quickly noted that while the United States is attempting to stimulate the growth of the Panamanian economy, it does not mean that our exports will be deprived of sales opportunities while the dollar gap is being closed. On the contrary, recent Department of Commerce reports indicate considerable opportunity exists in various sales areas particularly agricultural and related equipment.

Any discussion of the expansion of agriculture in Panama must include special reference to the sugar industry. Sugar is the fifth ranking industry in Panama and ranks fourth among agricultural commodities. Sugar is grown in eight of Panama's Provinces with heaviest production being centered in Cocolé, Varaguas, and Herrera. Sugarcane is grown on a total of approximately 23,500 acres, which includes the plantations of the two principal companies and the farms of over 2,100 independent growers.

The manufacturing of raw sugar in Panama began in 1914 and has steadily developed in scope and in importance. There are today two commercial mills, Azucarera Nacional, S.A. and Compañía Azucarera La Estrella, S.A., which manufacture raw sugar from cane grown on their own plantations, and on the farms of the independent growers. The investment in the sugar industry is one of the largest in the nation representing approximately \$20 million. Almost all equipment and machinery used in Panamanian sugar production is manufactured in the United States.

The two mills have a combined daily grinding capacity of 6,000 tons of sugarcane. This will be increased to approximately 10,000 tons per day by 1970. Raw and refined sugar is produced as well as alcohol, molasses, and other products. The companies have always enjoyed good relations with the Government, local consumers, and the public in general. The high quality of the refined sugar produced is recognized by domestic consumers as well as foreign users.

The prominent and respected families of Chiari and Delvalle-Penso have cautiously guided the sugar industry on a course of gradual expansion. Now, with government urging, it is their desire to increase the rate of development in the hope of affording the nation the benefits to be derived from increased sales of this important money crop, through which she can obtain the badly needed foreign exchange which is necessary for continued national growth. The following chart indicates the gradual increase in sugar production.

	Short tons, raw value
1955-60 (average)-----	25, 000
1962-63-----	40, 000
1963-64-----	54, 000
1964-65-----	63, 000

Approximately 29,000 tons of sugar is currently consumed domestically, leaving over 30,000 tons available for export to the United States.

Exclusive of the independent farmers, the sugar industry employs over 3,300 persons and provides support for an estimated 10,000 people. Factory employees are unionized, and labor contracts are negotiated each year. Employees enjoy numerous fringe benefits, holidays, sick leave, vacations, and medical care.

At any given time the two sugar companies can store 20,000 tons of sugar for the American market with existing facilities. New bulk storage warehouses are being constructed to increase storage capacity by an additional 10,000 tons. In the future, Panama can have on hand for shipment to the U.S. market (shipping time 5 to 7 days) 30,000 tons of refined and raw sugar, depending upon our needs.

It is an avowed policy of the United States to provide for the developing nations, particularly those in this hemisphere, stable markets for the sale of their basic commodities at fair returns, in order to allow them to obtain dollars needed for sound development. Sugar, a proven dollar earner for the nations of this hemisphere, is a logical choice of a commodity that should be selected for

expansion in Panama. A valuable source of revenue could be provided for Panama by affording her the opportunity to ship additional quantities of sugar to the United States, over and above the basic quota allocation of approximately 15,000 tons which she was awarded by virtue of the 1962 amendments to the Sugar Act. It is the earnest desire of Panama that she be granted a quota which would place her on a par with the other participants in Central America. The basic quotas awarded to the Central American nations in 1962 were as follows: Nicaragua, 25,000 tons; Costa Rica, 25,000 tons; Guatemala, 20,000 tons; and El Salvador, 10,000 tons.

In summary, on behalf of the sugar industry of the country of Panama, we strongly urge this committee to consider the unique position that Panama enjoys in this hemisphere and in particular its extraordinarily sensitive relationship with the United States. Because of our vital interest in the Panama Canal we must necessarily have a desire for well-being and tranquillity within the nation of Panama. It is imperative therefore that the United States assist this nation in its efforts to evolve a viable economy. In order to do this Panama must be permitted to close the vast chasm that has always existed between what she is forced to import and the comparatively small amount that she is able to export. She must be permitted to export commodities and products that she can produce practically and sell for adequate return. Sugar is a perfect choice for such a commodity. In comparison to the amount of sugar that the United States consumes on a yearly basis the award of an additional 10,000 to 15,000 tons of basic quota to Panama is inconsequential, but an increase of this size in her quantity of exportable sugar would be of immeasurable importance and benefit to this small nation.

We respectfully submit this plea and strongly urge the committee to give it favorable consideration.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF ECUADOR SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

Ecuador is the second smallest of the South American republics. It is the most densely populated country on the continent (4,500,000). It lies on the west coast of South America and, as its name implies, is crossed by the equator. By far the greatest part of its territory, including Quito, the capital, stretches south from the equatorial line. It has an approximate land area of 111,168 square miles; that is, about the area occupied by Italy. To the north, the country is bordered by Colombia, to the east and south by Peru, to the west by the Pacific Ocean.

There are four clearly defined geographical regions: The coast; the Andean Mountains and valleys; the eastern slopes and jungle stretching toward the interior of the continent; and the Gallapagos Islands, in the Pacific Ocean. The coastal area known as "La Costa", which covers a little over a quarter of the country's surface, provides nearly all of the country's export products (95 percent), both agricultural and mineral. These are principally: bananas, cocoa, rice, coffee, sugar, toquilla palm, which is used in handwoven straw hats, and petroleum. Ninety-five percent of the country's exports are of agricultural origin.

The Ecuadoran sugar industry is an example of the success of private enterprise in the responsible performance of its obligations to its own domestic market and a national economy as a whole. During the first half of this century, Ecuador, with its low standard of living and low production level, in a routine traditional way, had been satisfying the nation's sugar needs. However, in the wake of the world economic crisis of 1929-33, aggravated in Ecuador by the collapse of cocoa exportation, on whose monoculture the economy had previously depended, great deficits in sugar requirements emerged, as a result of which the country had to import sugar for many years, a fact which worsened the general economic situation.

At the end of the Second World War, like the rest of the countries in Latin America, Ecuador entered into a period of recuperation and economic development. But it was not until the beginning of 1950 that the sugar industry began to advance with rapid strides. During the decade of 1950-59, the administrators of the sugar industry concentrated their efforts on the obstacles that had been impeding its development and managed to overcome them by reequipping the sugar mills and completely renovating the methods of cultivation and cutting of sugarcane. The result was decisive. The increase during the first 4 years

was barely noticeable, but unquestionable. With an annual rate of growth of 2.2 percent production increased by 7 percent. In 1955 there was a jump of 36.2 percent, an increase that assured further expansion, which, by 1959, reached 106,921 short tons total production. By the end of the decade, a final computation of production growth showed that it had been more than doubled with a total increase of 109 percent. By 1964 total production of the two principal mills, which account for approximately 92 percent of national production, was 190,000 short tons.

The annual rate of increase in the population of Ecuador is approximately 2.7 percent, which means it has one of the highest growth rates in the Western Hemisphere. Up to 1950 the sugar industry was not able to satisfy local consumption within the country. The deficiency was made up by importation of sugar and use of a lower form known as "panela" (made from a noncentrifugal process). The per capita consumption in 1950 was calculated to be 15.1 kilograms per person. As low as this appears, still it was an increase over the previous amount of 9.4 kilograms per person for the period of 1930-34. With the growth of the sugar industry, the consumption per capita was able to increase to 15.24 kilograms by 1955, to 15.4 kilograms by 1959, and to 20.11 kilograms by 1964.

The expansion efforts of the Ecuadoran sugar industry have been of great benefit to the general economic growth of the country and have contributed substantially to improving the nation's standard of living. At present the industry ranks fourth on commodity production, and sugar is the fourth largest item of export.

In 1951 there were 113,665 acres of land planted in sugarcane, or 6 percent of the producing land of Ecuador. Of this, 36,595 acres, or 32 percent, were used for the industrial production of sugar, 46 percent for panela, and 22 percent for another lower form of sugar known as aguardiente. In 1959, the area dedicated to the sugar industry had increased very little, while the area used for the other two products (panela and aguardiente) registered a greater increase. In 1964 the total amount of acreage devoted to sugarcane for industrial production was 46,570 acres.

The sugar industry has two modern mills, San Carlos, owned by Sociedad Agricola y Industrial, which grinds 6,000 tons of cane per day, and Valdez, owned by Compania Azucarera Valdez whose capacity is 5,250 tons. Both are well equipped, efficient factories with high yields.

The two main producer-processors have been able to greatly expand production without substantially increasing the amount of acreage planted, and also they have constantly increased the number of persons employed in the industry. In the years of great expansion, 1960-64, the number of workers increased from about 11,000 to over 17,000. Approximately 70,000 people benefit directly from the industry.

Substantial investments, thanks to credit opportunities both from within and without the country, were made in order to effect orderly expansion of the industry. In addition to modernization of mills, great sums were expended on increased mechanization and cultivation and harvesting, variation and classification of cane varieties, irrigation and intensive use of fertilizers.

The two principal mills are situated near the city of Guayaquil, the main seaport of the nation and the largest center of population and consumption. The industry has a network of rail, river and road communications which facilitates transportation.

Ecuadoran sugar workers are among the best treated employees in the nation. They earn more than twice what is earned by the average worker in Ecuador. Sugar workers are unionized and represented by "Comites de Empresa" (enterprise committees). These committees represent at least 50 percent of the workers and they conduct all collective bargaining negotiations with the sugar companies. They are controlled and directed by Federal laws.

Among the many benefits enjoyed by employees of the two principal mills are:

1. Fifteen days of vacation per year.
2. Sixty half days paid allowance for sickness.
3. Fifty percent of salary paid in the event of accidents suffered at work such benefit lasting for up to 1 year of disability.
4. Free hospitalization, medicine, and medical services.
5. Gratuitous payment of 1 month's salary per year.
6. Participation in 10 percent of the company profits each year.
7. Retirement benefits after 25 years of continuous work for one company.

8. Retirement benefits under a system of social security at age 65 with 30 years of participation in the program. Under this system a worker may also retire at age 55 without having the required 30 years membership and also receive a scaled-down rate of benefits.

9. A "semana integral" which is equivalent to a day and half's free salary per week. A worker is also paid additional amounts if he works Saturday afternoons and Sundays with 100-percent surcharge on his salary.

10. Groceries and other provisions sold to workers at cost through modern factory supermarkets.

11. Free schools for workers' children.

12. Free movies for workers and their families.

13. Certain gratuitous death benefits.

14. Unemployment protection provided by means of a social security system.

15. Credit facilities available for building loans, on 20- and 30-year terms through the social security system.

All in all the fringe benefits paid to sugar workers signify about 6.47 percent of the total cost of production, including marketing costs in bringing the finished product to the consumer.

The sugar industry of Ecuador is a completely national industry from every respect including capital invested, direction and administration, employees and raw materials used.

Ecuador, as an underdeveloped nation with a limited number of commodities which can be economically produced, must trade to survive and the items it has to offer for trade are few. As has been previously stated, Ecuador used to have a monoculture which was wholly dependent on cocoa. The sugar industry, recognizing the need for diversification within the economy, and particularly within the area of agricultural production, raised its production by means of modernization of facilities in both field and mill. By so doing the industry not only was able to satisfy national consumer needs but also produce a sufficient surplus to make available a badly needed additional crop for export.

It was in 1961, following the cessation of importation by the United States of Cuban sugar, that Ecuador first shipped sugar to the United States. In that year the nation delivered a total of 36,010 tons. In 1962, the Ecuadoran sugar industry sought and was granted a basic quota position in the U.S. sugar market. Ecuador was awarded a basic quota of approximately 25,000 tons (when the consumption estimate of the United States was set at 9,700,000 tons). Following is a record of Ecuadoran sugar shipments to the United States:

Year	Basic quota	Charged to basic quota	Global quota	Deficit allocation	Total deliveries	U.S. consumption estimates
1961.....	36,010				36,010	10,000,000
1962.....	10,011	10,011	40,068	16,782	66,861	10,000,000
1963.....	28,048	27,048	28,156	2,793	57,997	10,400,000
1964.....	25,200	25,200	32,906		58,106	9,800,000
1965.....	¹ 51,121					9,200,000

¹ Authorized.

As can be seen from the above chart, although Ecuador was awarded only the basic quota of approximately 25,000 tons, it has been able to consistently supply to the United States more than twice the amount of sugar, since the passage of the 1962 amendments. As you know, it was during these years that the United States put forth urgent calls to all supplying nations to ship sugar over and above basic quota allocations. Ecuador responded to these pleas in an extremely admirable fashion. It did so despite the fact that it could have sold considerable quantities of sugar on the world market and received greater profit.

On the basis of its past performance, its proven dependability and loyalty to the U.S. market, the sugar industry of Ecuador feels justified in requesting of Congress a substantial increase in the basic quota allocation of 25,000 tons, made under the 1962 amendments to the Sugar Act. The exact amount of the increase we leave to the sound discretion of this committee. But Ecuador is in a position to offer upward of 75 million tons, to this market. Whatever the quota, the United States would be assured of a certain source of supply for this amount of sugar each year, and even greater quantities, should this country need it—and all of this sugar is within 10 or 12 days shipping time to U.S. ports. As a matter

of fact, the sugar industry of Ecuador, to assure that it will always have an abundant supply for the U.S. market, a quantity of sugar equal to 50 percent of its basic quota, which amount will not be sold in other markets until released by the United States. New bulk storage facilities are being constructed in Ecuador and if it is the desire of the United States that such a reserve be held, whatever space is necessary to fulfill this commitment will be appropriated to it.

It is a privilege to have presented this statement to this distinguished committee and we respectfully submit it for your study and consideration.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF BRITISH HONDURAS SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

We are pleased to present this statement on behalf of the Corozal Sugar Co., Ltd., of British Honduras. The Corozal Sugar Co., Ltd., as a subsidiary company of the leading British sugar concern, Tate & Lyle, Ltd., grows substantial quantities of sugar in British Honduras and processes all of the sugar cane produced.

British Honduras is officially categorized as a dependent territory of Great Britain, but is rapidly emerging as an independent nation. In 1964 England granted the country internal self-government and, when both Great Britain and the Government of British Honduras consider that the country has sufficiently developed, she will then be granted her complete freedom.

Belize, as British Honduras is known throughout Latin America, is a coastal strip some 175 miles long and about 70 miles wide at its broadest point. This small corner of Central America lies on the eastern shore of the Caribbean below the Yucatan Peninsula of Mexico. It has a land area of 8,867 square miles, which is roughly equal to the size of Massachusetts and it is the second smallest political division on the American Continent, being slightly larger than San Salvador, the smallest Latin American state. It is bounded on the north and north-west by Mexico, on the south and west by Guatemala, and on the east by the Caribbean Sea. A barrier of coral reefs and small islands parallels the country at distances up to 30 miles from the shore.

The northern half of British Honduras consists mainly of a low lying coastal plain, which is frequently swampy but contains much fertile and potentially rich agricultural land. The southern half of British Honduras consists to a lesser extent of a coastal plain but also has the Maya Mountain Range with peaks rising to over 3,000 feet. The climate is generally subtropical and is on the whole agreeable to nontropical peoples and the raising of tropical products. The mean annual temperature for the nation is around 80 degrees. Along the coast the heat and humidity are tempered by sea breezes during most of the year.

British Honduras, with a population slightly in excess of 100,000 people, is one of the least populated areas in the world, but with a birthrate of over 3 percent it has one of the highest rates of population increase. Close to half of the population is centered in and around the capital city of Belize. The long and romantic settlement history of British Honduras has produced within the small population a great variety of racial types. Attempts at classification of race are very unsatisfactory due to the great amount of mixing that has been done through the years. Suffice it to say that Negroes, Latin Americans, Americans Indians, and whites, and all combinations thereof, live in peace and harmony within the country. A variety of language is spoken with English and Spanish predominating.

British Honduras once comprised a major portion of the Mayan Indian empire. Once, over 750,000 Mayans lived in present day British Honduras. From the 4th century to the conquest of the 16th century their civilization was the most brilliant and advanced in the new world but, about A.D. 900, for still unknown reasons they abandoned their cities in and about British Honduras and migrated elsewhere.

The first Europeans came to British Honduras in 1502 when Columbus sailed along its coast. It became a British colony in 1862 following a very stormy history. Up until 1946 the country was almost forgotten by the British. Hurricane winds in 1931 had almost destroyed Belize and devastated plantations. By the time the country had partially recovered World War II arrived. But, starting in 1946, British Honduras took on a new look and approach. The British Government, through the Colonial Development Co., encouraged expansion by conducting a series of studies on economic development needs. Serious investment and development took place until on October 28, 1961, the

fearsome Hurricane Hattie, with winds gusting up to 230 miles per hour, devastated the country and flooded the capital. Reconstruction and development following Hurricane Hattie has been very well organized and steady, but much remains to be done before the country is able to stand on its feet economically.

Self-governing authority is vested in a cabinet consisting of a Premier, the Honorable George C. Price, and his ministers. Foreign affairs and internal security matters remain within the jurisdiction of the British Colonial Governor. Political stability is an outstanding characteristic of the country.

The economy of British Honduras has been traditionally based on forest products, especially tropical woods and chicle, the basis of chewing gum. By any standards it is a poor country and has never been able to support its small population. Food, as well as manufactured articles, must be imported in great quantity. Neither the people nor the land itself are the primary causes of the poor economic situation. Various circumstances far beyond their control, such as Hurricane Hattie, have greatly influenced its economic position. Mahogany has become harder to find and more expensive to process. Log wood, which served as a source of dyestuffs has been largely replaced by synthetic dyes and artificial gums have largely replaced chicle. Thus far, efforts at raising bananas have met with failure due to Panama disease. British Honduras exhibits most of the problems typical in an underdeveloped country except that of the pressure of population. It is afflicted with the common malady of so many developing nations, that is, a considerable gap between her exports and imports. Over the past 10 years imports for British Honduras have more than doubled. Although total exports have increased significantly the country still finds herself plagued with a gross imbalance of trade. The United States is the largest single supplier of imports, having supplied approximately \$10 million worth in 1964, as opposed to taking approximately \$4 million worth of British Honduran exports. The Government is acutely aware of this problem and if the country is ever to balance its economy it must place emphasis on the development of agricultural commodities. As mahogany and other lumber products are fast declining as large export items, sugar and citrus loom as the most important products in the development of the economy.

On paper, the problem does not seem so gargantuan as the trade gap might indicate. The country has plenty of unused fertile land, particularly in the southern portion. The subtropical climate suits many crops. A serious handicap is that much of the very rich soil is being held by private owners for speculation, in the hope of an increase in acreage prices. But the Government still owns many thousands of fertile acres which could be successfully put into agricultural production and steps will probably be taken to force absentee landholders to either put their land into production or sell it.

The Government's hardest problem will be to convert, not the land, but the people. There are comparatively few farmers in British Honduras. Of the population of slightly more than 100,000 over one-third of the people are crowded into the capital city of Belize. There are about 15,000 more people in other towns, leaving the rest of the country sparsely inhabited. The people adhere rigidly to patterns of traditional prestige. Many of the natives feel that it is beneath their dignity to till the soil. The Government is undertaking a vast educational and psychological effort to change the attitudes of its people. It is earnestly attempting to raise the level of economical activities sufficiently to absorb the unemployed and underemployed labor resources.

The Government of British Honduras has as its main economic concern, however, the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its shrinking economic base. British Honduras has found financial help extremely hard to come by because the only Government that can render assistance is Great Britain and it has been unable to make large contributions on loans. Current U.S. policy does not permit this country to make loans because our AID funds are generally not available to dependencies of other nations. It cannot participate in programs of multinational banks because it is not a contributing member. Therefore, at present, British Honduras must look only to private investment to spur its economy.

Definite proof of the effect that substantial private investment can have upon the economy of the Nation was evidenced by the purchase in 1964 by Tate & Lyle, Ltd., the British sugar firm, of the sugar manufacturing industry of British Honduras. Until 1963 there was but a single sugar factory which was located in the northernmost district of the country. No more than 28,000 tons of sugar had ever been produced in British Honduras. In its first year as a Tate & Lyle

subsidiary, the Corozal Sugar Co., Ltd., increased production by more than 20 percent from the previous year and a total of 38,000 short tons of sugar was produced. More than 20,000 acres of sugarcane will be harvested this year and production is expected to amount to 43,000 tons, with further increases planned in the future.

The Government recently negotiated a loan of nearly \$430,000 for the independent cane farmers of the country. The number of independent cane farmers has increased from about 500 in 1962 to the present total of 850 and it is anticipated that ultimately 2,000 cane farmers will participate in supplying at least 50 percent of the sugarcane production in the country.

The construction of a new sugar factory began in March 1965, and it is expected to begin operation in January 1967. Land clearing and planting of the additional cultivation acreage to supply the new factor is progressing and it is hoped that by 1970 between 70,000 and 75,000 acres will be producing. Tate & Lyle estimates the cost of this expansion to be in excess of \$20 million over the next 10 years.

The sugar industry is very strictly controlled by the Government principally for the benefit of the private farmer and the national economy in general. There is a "cane cess" which is in the amount of 10 cents per ton of sugar processed, and this amount is paid directly to the Cane Farmers Association by the factory in order to promote the production of privately produced cane.

Wage rates for sugar workers are higher than any other area in the Caribbean. There are minimum wage rates which are 44 cents an hour for factory workers and 36 cents per hour for fieldworkers. Presently there are approximately 1,000 employees in the sugar industry and there will be more than twice that number for the new factory. Workers usually work an 8-hour day, 6 days a week. Cane cutters are awarded \$1.75 per ton, usually cut from 6 to 7 tons of cane a day. They share in a profit-sharing scheme. There is an incentive bonus based on the company's earnings which is tied to the price of sugar. Workers are also given numerous holidays, fringe benefits, sick leave, and vacations.

In 1962 British Honduras petitioned the Congress for a 30,000-ton U.S. quota. American Factors, the large Hawaiian firm, was prepared to establish a second cane factory in the country if a sizable U.S. market could be assured. Instead, Congress awarded a quota of 10,000 tons and American Factors withdrew its offer. With no expansion of facilities, production remained constant at about 28,000 tons. In 1962 British Honduras shipped no sugar to the United States and in 1963 it shipped 1,712 tons. Under the provisions of section 202(D) of the Sugar Act the Department of Agriculture was forced to sanction the country, for failing to fill by more than 10 percent its quota in 1963, and accordingly British Honduras' quota for 1964 was reduced to 974 tons. However, by virtue of additional shipments under the "global quota," the country did ship to the United States during 1964 a total of 6,224 tons, and it stood ready to ship an additional 5,000 tons had it been needed. Thus far in 1965 it has been authorized to ship 4,342 tons and stands ready to ship another 10,000 tons. By 1966 British Honduras could ship 20,000 tons to this country and about 50,000 tons in 1967.

The performance of British Honduras in 1962-63 cannot be condoned. However, in all fairness it must be pointed out that it was not until the beginning of 1964 that the Corozal Sugar Co. purchased the sugar producing facilities in British Honduras and embarked upon the program of rapid expansion that will enable the country to increase its production and more than meet its commitments to its markets, particularly the United States. This tiny nation pleads with this committee to give it the opportunity to show how well it can perform now that its sugar industry has been given new life.

The development of the sugar industry has been a tremendous incentive to development of the country in general. By the very fact that Tate & Lyle announced that it was entering British Honduras and was willing to spend such a great amount of money other large corporations have professed interest in the country. Economic development of this sort would also lead to development of infrastructure which is so badly needed for advancement.

Sugar has fast become the most important industry in the country. In its drive toward independence it can only make economic gains by enlarging its production of basic agricultural commodities. But it does it no good to produce unless it can sell. Considering the total amount of sugar to be distributed by this committee to foreign countries an award of a relatively minute amount to British Honduras could accomplish a world of good for this small and poor neighbor of the United States.

We respectfully submit this petition for your scrupulous consideration.

EMBAJADA DEL ECUADOR,
SERVICIO COMERCIAL,
Washington, D.C., August 19, 1965.

HON. HAROLD D. COOLEY,
Chairman of the Agricultural Committee,
House of Representatives,
Washington, D.C.

DEAR CHAIRMAN COOLEY: It is my pleasure and privilege to bring to your attention and to the attention of every member of your very important Committee on Agriculture of the House of Representatives of the United States some very pertinent facts regarding the sugar industry of Ecuador.

Because of my sincere belief in your unquestionable fairmindedness in dealing with the sugar problem and its hemisphere implications and relationship, and because I honestly believe that there is no intention whatsoever of ignoring the hard facts of Latin American economics on the part of each member of your committee, I have decided to write to you in the hope that whatever I have to say in this connection may be taken in the same spirit in which it is presented herewith.

A BRIEF SKETCH OF ECUADORAN ECONOMICS

We all know, Mr. Chairman, that economic facts are important insofar as they relate to the people who are affected by those facts. And the economics of sugar do affect the people of Ecuador. The catastrophic fall in the prices of practically all export commodities produced by Ecuadorans: cocoa, coffee, bananas, oil seeds has meant a drastic reduction in our export proceeds with which we can buy our needed imports and the payment of our increasing foreign indebtedness. The fall in exports also affects the income of the Central Government and this reduction in fiscal revenues affects the ability of the Government to push ahead with programs for social and economic development as envisaged in the Alliance for Progress. The slowing down of developmental programs makes for increasing unemployment on top of a society which can never generate enough savings so that new economic and productive activities create opportunities for the increasing population. And this all-important fact of pervading unemployment is the igniting element which keeps all these countries on a constant verge of revolution and turmoil.

Three years ago, all students of sugar problems, including the sugar experts from FAO of the United Nations, were recommending that more sugar be produced because of the increasing rate of consumption in a world with population increases of over 60 millions per year. And the world price of sugar skyrocketed to over 11 cents. Today, the price of sugar in international markets is too low to keep producers in business, unless those producers have access to the preferential markets in which this present world seems unretrievably divided. We all talk about equality of treatment and about nondiscrimination. And yet, the Latin American countries, of which Ecuador is one, find ourselves blocked from every market of the large developed nations, except that of this United States. And it is to this market that we from Ecuador look at as the only buyer of our sugar. The international market as now constituted—is a market where producers dump whatever they cannot sell within the highly protected markets afforded by the large industrialized nations.

A large part of the national savings of Ecuador plus large amounts of U.S. private and public capital has been invested in the enlargement of existing cane fields and sugarmills and in establishing new cane fields and new sugarmills. And all of this was done in the expectation that title IV of the Charter of Punta del Este was a binding document on all the countries of this hemisphere which belong to the Organization of American States. As such, we, in Ecuador, were very much in the hope that once sugar was produced on a large enough scale, the United States would open its markets to our sugar, produced at such national sacrifices.

Ecuador is not a mining country and the lack of minerals imposes severe limitations to industrializing efforts unless those industries be related to agricultural raw materials. Sugar is certainly an industry which belongs in a country like Ecuador. And if the United States market were open to this produce from Ecuador there is no reason why we could not produce and export 500,000 tons a year. But such is not our goal. We are very much mindful of the need for diversification. We are not a one-crop country. But we do not produce too many crops for export because there is a growing discrimination

in the world of today even against commodities which are produced at economic costs and we have to be careful of the things which can be produced and can be exported.

Present production capacity of the sugarmills in Ecuador enables us to export as much as 90,000 tons of sugar to this market if we were given such a quota. In 2 years time, sugar exporting capacity of our mills will go up to 120,000 tons. And this must be compared to our present quota of a little over 51,000 tons. Where is Ecuador to sell its sugar if the United States imposes such limitations to our capabilities? And how is Ecuador to continue its free import policies if dollar exchange is getting smaller every day while prices of imported commodities and services—such as shipping—continue to rise unobstructed? This, Mr. Chairman, are the hard facts of Ecuadoran economics. And I consider it both my privilege and my duty to bring them to your attention and to the attention of every member of your very important committee.

THE MANY CHOICES AND ALTERNATIVES WHICH ARE OPEN TO EACH AND ALL OF US

As free and independent republics that we all are within the Organization of American States, many choices and alternatives are open to us. But it seems to me, Mr. Chairman, that we all did make a choice at Punta del Este when our countries signed that charter bearing such a name. Based on that charter, the American Republics attending the second meeting of sugar authorities of the member states of the OAS last April 19, adopted a unanimous resolution, with the only abstention of the U.S. delegation, and I do believe that such a resolution should be brought to the attention of your committee as embodying the sentiments and aspirations of all our countries insofar as sugar matters are concerned. I take pleasure in enclosing herewith two copies of such resolution for the careful consideration of your very important committee.

A few days ago, on the occasion of the fourth anniversary of the Alliance for Progress, President Johnson recalled the spirit and the hemispherewide enthusiasm which arose in the hearts of all Americans—from the north to the south. We all believe in the Alliance for Progress and all it stands for because following that historical dictum of American politics—a dictum which has made this country economically powerful, politically united, and progressively more democratic—the Alliance for Progress promises the greatest good for the greatest number of our citizens. As such, it deserves and commands the support of every citizen who thinks and feels democratically.

It is my hope, Mr. Chairman, that this short statement on the sugar problem as seen by Ecuador may serve some useful purpose to your committee and perhaps to the Congress of the United States which must approve whatever sugar legislation your very important committee proposes.

I am, sir,

Faithfully yours,

GUSTAVO POLIT,

Minister Counselor for Economic Affairs, Embassy of Ecuador.

INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL,
April 26, 1965.

SECOND MEETING OF THE SUGAR AUTHORITIES OF THE MEMBER STATES
OF THE OAS, APRIL 19-23, 1965, WASHINGTON, D.C.

RESOLUTION ADOPTED AT THE SESSION HELD IN THE AFTERNOON OF APRIL 21, 1965¹

Whereas the Charter of Punta del Este constitutes a solemn pledge of the states members of the OAS to enlist the energies of their peoples and governments in a great cooperative effort to accelerate the economic and social development of the hemisphere;

Among the objectives of the Alliance for Progress approved by the states' members of the OAS in the Charter of Punta del Este are the following:

(a) To achieve in the Latin American countries a substantial and sustained growth designed to attain, at the earliest possible date, levels of income that are higher in relation to those of the more industrialized nations; and

¹ Originally published as document UP/CIES-3/Sugar, doc. 13.

(b) To accelerate the process of rational industrialization, utilizing the natural resources of the region and providing productive and remunerative employment for workers;

Among the principles of title IV of the Charter of Punta del Este are the following:

“(a) The American Republics recognize that the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign exchange incomes received from exports, a lessening of cyclical or seasonal fluctuations in the incomes of those countries that still depend heavily on the export of raw materials, and the correction of the secular deterioration in their terms of trade.

“(b) Importing member countries should reduce and if possible eliminate, as soon as feasible, all restrictions and discriminatory practices affecting the consumption and importation of primary products, including those with the highest possible degree of processing in the country of origin, except when these restrictions are imposed temporarily for purposes of economic diversification, to hasten the economic development of less developed nations, or to establish basic national reserves. Importing countries should also be ready to support, by adequate regulations, stabilization programs for primary products that may be agreed upon with producing countries.

“(c) Similarly they should try to avoid increasing the uneconomic production of goods which can be obtained under better conditions in the less developed countries of the continent, in which the production of these goods is an important source of employment”;

The unanimity of principles achieved at the meeting of Alta Gracia by the Latin American countries members of the OAS and reaffirmed in the Declaration of Lima again finds a field of expression before the problem of sugar exports.

One of the objectives of Resolution A.II.1 of the United Nations Conference on Trade and Development is to promote the expansion of international trade as an essential instrument for the economic development of the developing countries.

The American states members of the OAS in process of development that are producers of sugar are in a particularly unfavorable position with respect to these other exporting countries that have access to preferential markets in extracontinental countries in terms of both quantity and prices and that have additional facilities in the principal market of the inter-American system;

And whereas the aim of increasing the domestic sugar quotas in the U.S. market is contrary to article XI of the General Agreement on Tariffs and Trade (GATT), according to which quantitative restrictions of importation are permitted only in certain given cases and always with the understanding that the restrictions that are imposed by virtue of that article should not “be such as will reduce the total of imports relative to the total of domestic production as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions.”

An import charge in addition to the existing duties and charges on the importation of sugar such as the so-called import fee would constitute a violation not only of article II, paragraph 1.a of the General Agreement on Tariffs and Trade, because it would constitute an increase in those duties and charges above those that were agreed upon in the lists of reciprocal concessions of the contracting parties, but also of article I: 4.a of the said general agreement because it would constitute a prohibited increase in the “preferential margin” between the tariff applicable to the Republic of the Philippines and that applicable to the contracting parties that enjoy most-favored-nation treatment;

An additional charge on importation of sugar in the United States would be in contradiction to the obligations assumed by the contracting parties in article XXXVII.b and XXXVII.c of the General Agreement on Tariffs and Trade to abstain from introducing or increasing the incidence of tariffs or nontariff barriers on products that may be presently or potentially of particular interest to the less developed contracting parties;

The additional charge mentioned would also be in contradiction to Resolution A.II.1 of the United Nations Conference on Trade and Development, adopted unanimously on June 16, 1964: and

The application of variable additional charges on the importation of sugar would disturb the economies of the producing countries and also create unem-

ployment, to the detriment of the workers and in contradiction to the social-progress objectives and goals of the Charter of Punta del Este.

The second meeting of sugar authorities of the member states of the Organization of American States

Resolves:

1. To adopt the following principles of sugar policy with respect to access to the U.S. market:

(a) That it is necessary to assure a stable sugar market in the United States of America, compatible with the long-term planning of the Latin American sugar industry as a factor to stimulate the economic growth of the Latin American producing countries, until such time as an arrangement is established on the world level that will assure those countries the opportunity to place their output under conditions favorable to their development;

(b) That it is necessary to increase the present total imports of sugar on the part of the United States of America in the same proportion as its consumption increases, in order to avoid the depressing effects on the international market that would be caused by sugar displaced from the U.S. market;

(c) That in the distribution of the sugar import quotas by the United States of America special treatment be given to the Latin American countries that are members of the OAS which, as is well known, do not participate in other preferential markets, within a policy that would allow Latin America as a whole to recover a supplying participation equivalent to at least 90 percent of the imports of the United States of America coming from foreign countries other than the Republic of the Philippines;

(d) That import fees not be introduced.

2. To ask the chairman of this meeting to transmit this resolution to the government of the member states through the Secretary General of the OAS as soon as possible.

3. To entrust the CIAP and particularly its chairman, with making representations to the authorities of the United States of America in regard to sugar imports, to give full support and backing to and be guided by the principles set forth in this resolution, as one of the ways of attaining the aims of the Alliance for Progress.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

The CHAIRMAN. If the committee will bear with me just for a moment, I want to give Mr. Quinn a little credit for some things that I know he has done.

I know he arranged a meeting at the Panamanian Embassy, and I was invited there on short notice with the vice chairman to accompany me, and there were 14 Latin American countries represented there one afternoon. They were all in complete accord on this import fee, which was so controversial up until that time.

Later another meeting was held at the Nicaraguan Embassy, and 17 Latin American countries were represented, and they were all in complete accord over the item of the import fee, which finally was abandoned by the administration, much to the satisfaction of all the countries represented. I think Mr. Quinn is entitled to credit for having arranged those meetings, which resulted in giving up this fee, which was more or less a nuisance, and entirely incompatible with our foreign policy and with our attitude toward our Latin American friends.

As he points out in his statement here, he is about the oldest sugar rat in the barn. He has been around a long time. And I know, Mr. Quinn, that everybody holds you in high esteem, and that this statement of yours will be given very careful consideration. You have presented some facts and arguments which are very persuasive, and I am certain that the committee, when we go into executive session, will review what you have said in behalf of your clients, and will do the

best we can to come out with some fair and equitable settlement of a matter in controversy.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

(Discussion off the record.)

The CHAIRMAN. We appreciate your appearance very much.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Miss Dina Dellale, who represents all the sugar industries of Central America, Costa Rica, Nicaragua, El Salvador, Guatemala, and Honduras. We will be very glad to hear you, Miss Dellale.

STATEMENT OF MISS DINA DELLALE, REPRESENTING THE SUGAR INDUSTRIES OF CENTRAL AMERICA; ACCOMPANIED BY MANUEL JIMENEZ, PRESIDENT, SUGAR ASSOCIATION OF COSTA RICA; ALFREDO PELLAS, PRESIDENT, SUGAR ASSOCIATION OF NICARAGUA; EUGENIO AGUILAR, PRESIDENT, SUGAR ASSOCIATION OF EL SALVADOR; JOSE LUIS BOUSCAYROL, PRESIDENT, SUGAR ASSOCIATION OF GUATEMALA; FRANCISCO ABUFELE, PRESIDENT, SUGAR ASSOCIATION OF HONDURAS; AND SHELDON Z. KAPLAN, GENERAL COUNSEL

MISS DELLALE. Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the Sugar Industries of Central America. The five countries of Central America are Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. To assist me in answering any technical questions after my statement, may I introduce the presidents of each of these sugar associations: Manuel Jimenez, of Costa Rica; Alfredo Pellas, of Nicaragua; Eugenio Aguilar, from El Salvador; Jose Luis Bouscayrol, of Guatemala; and Francisco Abufele, from Honduras. Sheldon Z. Kaplan, who is general counsel for our group, is on my left.

Though small by standards of the United States, these nations, on the isthmus that links North and South America, have joined together to improve their economic well-being. This is the fifth year that the Central American Common Market has operated and each of its member countries has benefited from the association. The area is now one of the fastest growing of all the developing countries in the world, and its progress in this short period of time has been something of a surprise—a very pleasant one. A close look at these achievements will, perhaps, broaden the understanding of why we are before this committee.

The five republics consist of some 13 million people, who in the past faced an uncertain economic future. Agriculture, the backbone of their economy, was subject to downward spirals of commodity prices. Each alone was not prepared to cope with their worsening economic conditions nor was that hot wind of desire which is fanning the slum streets and rural villages into rising expectations of a better life, no matter the circumstances of birth. Faced with such stern realities, these five small countries, logically and naturally, united in one large economic unit and its progress before the entire world became a testing ground.

What does this common market movement in Central America consist of? It goes far beyond tariff cutting and lipservice. The countries are tackling joint and mutual problems and establishing regional institutions for finance, research, education, labor, trade, and investment. Harvard Business School sessions are held in Nicaragua to train executives; a monetary council operates from Honduras promoting a unified currency, using a peso on a par with the U.S. dollar; a uniform code of tax incentives for investment has been adopted, and all now have direct taxes on individual and corporate incomes. Factories are springing up across the whole area and their impact on the status of the underprivileged has brought a quickening of the lifting of living standards. A middle class is developing who are ever mindful of what progress will bring—more and better things at lower costs.

This bustling panorama is laid before you for the understanding of what hope means to these people who have a past history of broken dreams. For while good attempts are being made to develop new fields of industrial and agricultural activity, of eliminating practices which hinder efficiency, of using capital progressively, and of training a rapidly expanding population with the skills needed for future development, it must still be borne in mind that the Central American area is a developing region. For the time being, and for the foreseeable future, its primary resource will remain the land. Agriculture will produce the funds to buy machinery and equipment. Like all small areas aspiring to higher standards of living, these Republics are dependent on trade. One of the principal reasons industry has never developed is that no one Central American nation was big enough to provide the necessary market. Today, the market is significant. President Johnson recently, on July 29, made an unusual personal appearance to sign a loan for the Central American Bank for Economic Integration. His remarks in praise of Central America are significant, and I quote him:

Yes, great progress has been made in Central America * * * The Central American Republics are providing all their neighbors and all the world what I would think is a very stirring example of what can be accomplished by free men with vision, and with wisdom, and with courage.

The framework of the future Central America has been firmly put in place and results so far have been most impressive, but this year and next, and the year after, and some years more, Central America needs every dollar agricultural exports bring to buy manufactured goods in the United States.

One of the best ways to judge this region's progress is to look at those responsible. Many groups have roles to play if development is to proceed successfully, but the growth capacities in Central America are mostly in the hands of private individuals and private enterprises. Businessmen are earning the future by being good citizens in the search to solve social problems, improve the skills of workers with on-the-job training, and at the same time not forgetting that the object of economic growth is to improve the lot of the masses of people. They know that when the economic and social system is fair, stable, and works in the interest of the majority, business will thrive. Nowhere can you find a better example of this than exists in the sugar industries in each of the five countries of Central America. Sugar is a private

enterprise for them all, from the planting and harvesting of cane on a small parcel of self-owned land, through its milling, until it reaches the final destination of the marketplace. Revenue from this source does not constitute the patrimony of a few. The vicious population explosion on the isthmus has accelerated the part that the sugar industries must play to solve the problems of such conditions if wages are not to sink to subhuman standards.

The mills buy more than 55 percent of the cane they grind from small planters, and commitments with them are made 1 year in advance which constitute a guaranteed minimum price for that year plus a share in whatever other profits are received. There is no inequity of vested interests here, rather sugar is vital for the welfare of the people of Central America. Consequently, anxiety is general from the millowner to the hundreds of thousands of cane planters and their dependents, over the outcome of sugar legislation in the United States.

The employment of the large number of sugar workers, over 375,000, their dependents included, with stable and reasonable wages, cannot be attained without an assured and permanent place in the U.S. market—this place not to retreat from the one we earned by performance when the world price was high and other foreign supply sources of the United States were looking elsewhere to their immediate profits.

Following the path of the unity of their area, at the invitation of Costa Rica, the sugar associations of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica met together as strangers in 1962 and formed a working friendship to face their problems both internally and externally. An organization was formed called The Latin American Sugar Council, consisting of these Central American countries, and it was agreed that the five should unify their actions and aims, all helping the other with exchanges of ideas, working improvements, and general information. This unity was all the more impressive as each constituted a private enterprise, not maintained with a government subsidy, but rather contributing in taxes and employment to the country.

All have cooperated with their governments by paying a levy on sugar to provide social benefits for the worker. Further still, individually the millowners of each of the countries have provided better housing, medical service, pensions, schools, community centers, playgrounds and playing fields, assuring the filtering down of any benefits that resulted as participants in the U.S. sugar program.

Both government and private enterprise know well that the real national income and growth depend on the terms of trade—the relation between the prices received for exports and prices it must pay for imports.

United States relations with Central America have been characterized at times with forgetfulness, alternating with short periods of concentrated heedfulness. There is a predisposition to take them for granted, believing that this friendship requires no special attention. But true friendship involves more than the clasp of extended hands across the border. Printed or uttered words do not in themselves bring good will and understanding. Actions are necessary.

Central America lives in dread of communism and is the principal target of that peculiar brand preached by Fidel Castro of Cuba.

Small as these countries are, and poor as they are, they are working against Castro, literally day and night. Speaking together in unison, they command increasing attention in world councils and contribute vitally to the moral forces that the United States is mustering to maintain peace and security. Their growing stature is a significant factor as allies. Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica are of major strategic, political, and economic importance to the United States.

Communism works constantly and incessantly on the premise that it is not difficult to lure millions who have nothing to lose. Sunshine cannot fill an empty stomach. So in friendship, and with the mutual respect that is especially important in relations between large and small countries, Central America, youthful, growing, idealistic, producer of products you consume, purchaser of much you produce, friend and ally in times of peace and war; staunch supporter of your political viewpoints in the United Nations and the Organization of American States, with five solid votes each and every time a decision comes up, those votes given in expression of their democratic beliefs, and most times the deciding factor in close emergency decisions, this Central America comes before the committee believing in your genuine understanding of its problems and hopes, and that visible evidence will result of that understanding.

Sugar is the third largest industry of the area. There are 77 mills located throughout the 5 countries participating in the Common Market with a total output of 550,000 tons a year. As a little more than half of this amount is consumed domestically, there remains 250,000 tons that must be exported. All that is exported has come to the United States.

This does not mean that Central America does so only when the U.S. price is higher than elsewhere—the Sugar Act to them is a two-way street. During 1963 and 1964 when prices soared in the world market, these small nations at tremendous financial sacrifice, put aside shortsighted profits to fulfill their obligations and much more in this program. No “friendly” persuasion was necessary, and long before a voice was heard from those who could better afford the loss of profits when the world price was still soaring, Costa Rica, on December 12, 1963, was the first of all quota countries to speak up pledging her entire surplus sugar, of approximately 72,000 tons, to the U.S. consumer at an immediate loss of about \$3 million, which represents more profit than the entire Costa Rican sugar industry generates over the course of 2 normal years. There followed quickly the same cooperative response from the other Central American countries. This is friendship.

In the time since Cuba's sugar no longer had access to the U.S. market, the Isthmus Republics have filled a substantial amount of that void without any long-term guarantees. In the past 5 years, they have built up a historical performance. In adjusting the quotas of these countries, Central America asks that this record be considered, together with its willingness and ability to perform under all circumstances.

The commercial trade balance with the United States of each of these Republics is so unfavorable to them in their efforts to push quickly and eagerly toward their goal, that uncertainty is now appear-

ing about the future. The combined trade deficit with the United States is approximately \$81 million.

In 1964 U.S. exports to Central America totaled over \$315 million. They are among your largest customers per capita. They want to continue to buy from the United States, but they want to pay for what they purchase with money that is earned, not borrowed. They do not wish to turn elsewhere because of lack of dollars.

With the foreign portion of the Sugar Act not in effect this year, the sugar industries of the Central American countries began, on their own initiative, a long-term program of putting stocks in reserve. These stocks will be continued each year with totals that always fulfill any one of the quotas assigned to them by the United States. The purpose of this voluntary action is to assure at all times a stable source of supply even if there should be some unforeseen catastrophe by nature in any one of the countries. In other words, the full amount of the quotas from the five countries of Central America would always be guaranteed to the United States. The insurance is the stock reserve, obligatory to all five. May I emphasize that to carry such stocks is rather expensive and those charges have been considered when this program was initiated.

Before placing the individual requests of these countries before the committee, Central America asks that the committee include in the bill before you a provision (with specific reference to the countries of Central America as participants in the U.S. Sugar Act in accordance with all existing terms and conditions), containing the following requirements: whenever there is established a shortfall in the quota of any of the five countries of the Central American area joined together in "the Latin American Sugar Council," the resulting deficit quota shall be allocated among the other member countries of this group in proportion to their existing U.S. quotas.

Mr. Chairman, with firm belief that you and the members of this committee will not forget those who delivered sugar to the United States when it was most needed, and with all due reverence for computers, may we ask that consideration be given to the following requests which are illustrated by the attached map:

The Republic of Honduras, with no quota, unlike British Honduras, which is already a quota country, is climbing rapidly into the age of modern industry and agriculture, and has been in the past a net importer of sugar. Feeling rather like Cinderella after her sisters had gone to the ball, Honduras now finds herself self-sufficient and with a small sugar surplus but—alas—no quota to bring it into the U.S. market. She is a full and active member of "the Latin American Sugar Council." A quota of only 5,000 tons in the U.S. Sugar Act will allow Honduras to take a place with her companion countries of the Central American Common Market. Honduras is mentioned separately because of her exclusion from the act. The requests for her neighbors are as follows:

	<i>Tons</i>
Guatemala.....	60, 000
El Salvador.....	55, 000
Nicaragua.....	65, 000
Costa Rica.....	65, 000

Performance and financial loss have been stressed in this statement. Both factors were considerable, with their pledges to the United States in December 1963, after the Secretary of Agriculture made his consumption requirements official for the year 1964. It was then that 1 million tons of global quota was authorized for purchase and entry. By December 24, 1963, only 745,000 tons had been subscribed with Costa Rica's share, 35,000 tons, representing almost 5 percent of the total commitment. It was not until January 21, 1964, that the Department of Agriculture was able to announce that the full million-ton quota had been filled.

In addition, the Western Hemisphere deficit reallocation of 98,277 tons authorized on December 18, and by January 31, 1964, had only 74,850 tons pledged of which Costa Rica had 12,000 tons or approximately 16 percent, and Guatemala pledged 50,000 tons representing 6 percent of the total subscription. These pledges were not hollow offers, as the regulations were such to necessitate the immediate deposit of guarantee funds in a designated U.S. bank.

Mr. Chairman, before I conclude, may I ask permission to enter the documents relating to the force majeure in Costa Rica due to the 2-year activity of the volcano, Irazu, six months ago, this activity ceased and with miraculous swiftness the crops of that wonderful little democracy have recovered dramatically. The sugar production will have returned to its original estimate as given before this committee in 1962. I also ask permission to submit as part of this testimony other relevant material in support of the Central American area quota request.

Economic development is a difficult process and miracles are not produced overnight. Each of these five countries is doing all that is possible to help itself, and that is a tremendous accomplishment. Without trade, the future prospect is bleak. If one Central American country goes Castroite, all this hope and progress will come to a halt. Mr. Chairman, the United States and Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica share a continent together. The friendship that now exists is strong, and as cooperation continues to grow, perhaps the reasons for hope will outweigh those for pessimism. Then it can be said with much truth, "In union there is strength."

I thank the committee for their attention.

(The map referred to appears on p. 189.)

The CHAIRMAN. We thank you, Miss Dellale, for your well-prepared statement. I assure you that the committee will give careful consideration to all the views you have expressed. We are delighted to have you with us.

MISS DELLALE. Thank you very much, Mr. Chairman.

The CHAIRMAN. Any questions? If not, the next witness we will call on will be Mr. Walter Surrey, representing Guadeloupe. I will now have to ask to be excused, Mr. Surrey, but I have a very important telephone call from one of the Cabinet Officers. If you will just be seated I will be back shortly.

Mr. JONES. Mr. Surrey, will you proceed.

CENTRAL AMERICA

Area Population... 13 million

TOTAL AREA SUGAR QUOTA REQUEST... 250,000 TONS



STATEMENT OF WALTER STERLING SURREY, COUNSEL FOR ASSOCIATED PRIVATE SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE; ACCOMPANIED BY ALBERT PROSTERMAN, ECONOMIC CONSULTANT TO THE PRIVATE SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE

Mr. SURREY. Mr. Chairman, members of the committee, my name is Walter Sterling Surrey. On behalf of the private sugar producers of the islands of Guadeloupe and Martinique, whom my firm has the honor of representing, I wish to express my appreciation for this op-

portunity to appear before you. Mr. Albert Prosterman, the economic consultant to the private sugar producers of Guadeloupe and Martinique, is here with me.

In order to conserve time, I ask permission to insert in the record a document, "Guadeloupe and Martinique as a Sugar Supplier to the United States."

Mr. Chairman, I would like first to consider the provision in the administration's bill which relocates Guadeloupe and Martinique somewhere outside the Western Hemisphere.

You will recall, Mr. Chairman, that this issue was clearly presented to the Congress when considering the Sugar Act in 1961. At that time the following question was posed in the House: "Does the Western Hemisphere include the islands of Martinique and Guadeloupe and the British West Indies?"

Your reply on behalf of this committee, Mr. Chairman, was:

On the map used by the committee it certainly does. I understand that the State Department does not consider some of the Caribbean Islands as part of the Western Hemisphere because they are territories of or affiliated with European countries. As far as the committee is concerned, we believe that any island or area or country in the physical area of the Western Hemisphere is part of the Western Hemisphere for purposes of this bill. That was the reason for putting the word "areas" in our amendment rather than confining it to just "countries."

Now the bureaucrats are trying again to move these islands out of the Western Hemisphere. They purportedly take this action for the same reason they tried to do so in 1961, that Guadeloupe and Martinique are territories or affiliates of a European country. But if that is the reason, the administration bill does not even apply it in a consistent manner. In the case of the British West Indies, some of which are independent countries and some of which are dependent territories, the administration correctly treats them all the same, as all being part of the Western Hemisphere. British Honduras, which is a British colony, is also correctly treated as a Western Hemisphere country.

But Guadeloupe and Martinique are not treated as part of the Western Hemisphere. The result of this geographic sorcery is that, unlike every other sugar-producing area in the Western Hemisphere, Guadeloupe and Martinique are treated in a discriminatory manner:

First, Guadeloupe and Martinique are arbitrarily restricted in their share of any future growth in U.S. consumption requirements.

Second, they are arbitrarily restricted in their share of the reallocation of the Cuban quota.

Third, they are precluded from sharing in the reallocation of any foreign quota suspensions and reductions.

Fourth, they are no longer permitted to share in the reallocation of domestic and foreign deficits.

I am not sure just where the bureaucrats relocated these islands. They are treated differently from all other countries and colonies located in the Western Hemisphere; furthermore, greater restrictions are placed on Guadeloupe and Martinique than on the non-Western Hemisphere British colonies of the Fiji Islands, Mauritius, Swaziland,

and Southern Rhodesia. There is attached as an appendix an outline of the treatment of the sugar-producing areas under the administration bill.

Mr. Chairman, the private sugar producers of Guadeloupe and Martinique have no quarrel with the fact that other suppliers are given larger quotas. Nor do they question special treatment being accorded where circumstances indicate that there are prudent and judicious reasons for doing so.

But they do request, as loyal and dependable sugar suppliers to the United States, and as an integral part of the Caribbean and the Western Hemisphere, that Guadeloupe and Martinique be treated equally under the Sugar Act with their neighbors, and that they not be discriminated against.

I should like now to summarize some of the principal reasons why Guadeloupe and Martinique should be accorded equitable and nondiscriminatory treatment. Fuller details on this are presented in the booklet.

The Western Hemisphere is a good and accessible source of sugar. Within that area, the islands of Guadeloupe and Martinique, as integral parts of the great sugar-producing islands of the Caribbean, offer a most accessible and proven source. Together with Puerto Rico, the Dominican Republic, and the British West Indies, they form a nearby and certain source of sugar readily and conveniently available to the east coast refineries. They are a convenient source of sugar because they produce sugar in the spring, when offshore raw sugar is most needed by the U.S. can refiners.

Even more important than their accessibility, however, is the fact that the sugar producers of Guadeloupe and Martinique have an outstanding record of loyalty and dependability as suppliers to the United States, especially in times of U.S. emergency and shortage. In World War II, when the United States was desperately short of sugar, and the world market price was higher than the U.S. price, Guadeloupe and Martinique shipped to the United States more than double the amounts of any other country but one; they were second only to Cuba (which, of course, had preferential treatment) in supplying the United States.

In 1963, again a period of great sugar shortage and price uncertainty in the United States because of a higher world market price, producers on these islands offered and shipped more than three times their legislative quota to the United States. And again in 1964, although their sugar was in short supply because of the damaging hurricane in the Caribbean area, the producers of Guadeloupe and Martinique gave early assurances to the United States that their quota commitments for this country had priority status, despite the temptation to recoup their hurricane losses by selling in the more profitable world market.

A second major reason for not discriminating against Guadeloupe and Martinique is the fact that their location in the Western Hemisphere, which makes them convenient suppliers of offshore sugar to the United States, also makes them natural markets for U.S. products. The United States has the right to expect that its willingness to buy

offshore sugar will result in increased willingness by the supplier to buy goods from the United States. In the case of Guadeloupe and Martinique, these expectations have not been in vain.

Prior to 1961, which was the first year Guadeloupe and Martinique were granted a basis for exporting sugar to the United States, trade between the United States and the islands was limited. However, since 1961, total trade between these islands and the United States has grown steadily. In fact, from 1960, when the United States purchased no sugar from Guadeloupe and Martinique, through 1964, U.S. exports to these islands increased almost four times.

Because they are small, the total value of U.S. exports to Guadeloupe and Martinique may not seem enormous. However, these export figures are very impressive in two ways. First—in terms of the rate of increase in trade with the United States since the United States began purchasing sugar produced in Guadeloupe and Martinique—U.S. exports to the islands have increased from only \$2,900,000 in 1960 to \$11 million in 1964. Second, the figures are impressive in terms of the number of sectors of the U.S. economy which share in and benefit from U.S. export trade to these islands. The booklet which we have placed before you contains many statistics in this regard. For present purposes, I will only mention that the U.S. economic sectors which have participated in this increase export trade range from clothing manufacturing in the New England and Southern States to almost every type of industrial product and include virtually every aspect and area of agricultural production in the United States. The United States has an overall favorable balance of trade with Guadeloupe and Martinique and has thus very concretely benefited from its extension of sugar quotas to Guadeloupe and Martinique since 1961. Our booklet contains information on the wages and salaries paid and social benefits which rank high compared to any other areas in the Western Hemisphere.

I should like to close, Mr. Chairman, by referring again to the problem of geography.

The administration bill purports to apply formulas in a non-discriminatory manner, yet three areas, all located in the Western Hemisphere, are not treated the same. Thus, both British Honduras and parts of the British West Indies are colonies, are located in the Western Hemisphere, and for purposes of the proposed legislation are recognized by the administration bill as being in the Western Hemisphere. But Guadeloupe and Martinique, also located in the Western Hemisphere, and having a similar relationship to a European country, are treated as second-class citizens within the Western Hemisphere.

Mr. Chairman, the location of continents and islands preceded the establishment of the Departments of Agriculture and State, and was accomplished by a power greater than they. Guadeloupe and Martinique are physically located where they have always been. And nothing has changed since Congress' clear-cut and categorical decision in 1961 that for purposes of the sugar legislation, Guadeloupe and Martinique are what they are—a part of the Western Hemisphere.

Mr. Chairman and members of the committee, we do not represent giant sugar producers, if one is to consider the totality of the U.S. requirements. But we do represent producers who have proven their loyalty and ability to help meet these requirements quickly and effectively and in significant amounts. The sugar producers of Guadeloupe and Martinique ask principally that you reaffirm your decision of 1961, and treat them as you treat suppliers from all other sugar-producing areas of the Western Hemisphere.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Surrey. I regret I had to leave the room briefly, but I understand you offered this document, this well-prepared document. However, it is too cumbersome for the printed record, but copies will be made available to all the members of the committee.

We are very glad to have your statement, and I compliment you upon the brevity of this statement as well as the substance of it. If there are no questions, I will call the next witness, Mr. Ganson Purcell, representing the Rhodesian Sugar Association of Salisbury.

(Discussion off the record.)

The CHAIRMAN. All right, Mr. Purcell.

STATEMENT OF GANSON PURCELL, REPRESENTING RHODESIA SUGAR ASSOCIATION; ACCOMPANIED BY HON. GEOFFREY ELLMAN-BROWN

Mr. PURCELL. I realize, Mr. Chairman and members of the committee, that time is precious.

I do wish to refer to the fact that I have a memorandum statement which I have submitted to the members of the committee which I should like to request be inserted in the record at the close of my testimony.

The CHAIRMAN. All right, sir.

Mr. PURCELL. I shall be brief.

The CHAIRMAN. You do not mean this Rhodesian sugar document?

Mr. PURCELL. No. I should have mentioned that sooner.

The CHAIRMAN. If you are going to file that, I am going to file the North Carolina tobacco documents.

Mr. PURCELL. I had not intended to ask that this document be included in the record.

The CHAIRMAN. You mean the printed transcript.

Mr. PURCELL. Yes. The brochure I handed up was for the convenience of the members of the committee.

The CHAIRMAN. You may proceed with your statement. We will include that in the record.

Mr. PURCELL. I have with me the chairman of the Rhodesia Sugar Association whom I would like to introduce, the Honorable Geoffrey Ellman-Brown.

The Rhodesia Sugar Association, which I represent, represents the interests of the private sugar producers of Rhodesia. I do not represent the Rhodesian Government. Mr. Ellman-Brown is not a part of the Rhodesian Government, although he has served in previous years with distinction as a member of the Liberal Party in his country

as a Member of Parliament, and during that time occupied various important Cabinet posts, including those of Minister of Development and Minister of Finance.

The membership of the Rhodesia Sugar Association is composed of the growers, millers, and refiners of sugar in Rhodesia. The growers include individual planters of sugarcane whose participation in the industry is being encouraged by the large estates which are making land available to individuals for this purpose.

As members of the committee probably are aware, the name "Rhodesia" today is applied to that area of central Africa which until 1963 formed a part of the Federation of Rhodesia and Nyasaland and, as such, was known as Southern Rhodesia.

After the dissolution of the Federation, its other two component parts, Nyasaland and Northern Rhodesia, became known as Malawi and Zambia.

Under the provisions of the bill, H.R. 10496, it is proposed to grant to Rhodesia a quota of barely 9,000 short tons raw value, based on the U.S. consumption estimate of 9,700,000 tons, and including temporary participation in the Cuban reserve.

The Rhodesian producers are seeking a quota of not less than 60,000 short tons, and it is my purpose to demonstrate the justification for their request.

First, although this subject is treated at some length in my prepared statement and in the brochure, I want to emphasize the remarkable nature of the development of the cane sugar industry in Rhodesia, which is probably unparalleled in the world. The ingenuity and energy of the pioneers in this field have turned a desert into a garden spot where the cane is grown under completely irrigated, controlled conditions, free from climatic disturbances with the result that raw sugar of a quality and in the volume required can be produced to meet the demand of consumers.

Within the space of less than 10 years this industry has progressed from a productive capacity of less than 5,000 short tons per year to over 275,000 short tons in the current year, and is now in the unique position of not only being able to guarantee quality and supply, but is prepared to hold uncommitted stocks of 80,000 tons in inventory reserves. This will insure delivery to the U.S. refineries at any time during a calendar year.

Second, the development of the Rhodesian sugar industry has brought an enormous improvement in the living conditions of many thousands of the predominant native African population of Rhodesia, so many of whom have historically survived on a bare subsistence.

In addition to paying substantial cash wages to workers, the industry has provided free educational, hospital, and medical facilities and housing for the workers and their families. It has also generated increased employment, and the same higher standard of living for many thousands more who are dependent indirectly on the industry, and the end is by no means reached.

Very large expenditures of capital have been made by the industry in the expectation of realizing returns which will enable the continuation and expansion of the social and economic advantages.

Assurance of long-term access to sugar markets, such as that of the United States, with resulting sales at stable prices, is essential to confidence in the continuation of this great operation. The importance of this must not be underestimated.

Over the years, Rhodesian leaders have worked to build a stable and democratic form of government for their people. Only through education and the establishment on a broad basis of a standard of living giving contentment to the people can this objective be achieved and insured for the future.

The spread of ideologies incompatible with the principles of democracy must be prevented. Already eastern communism is making its appearance on Rhodesia's borders, and attempts at infiltration of Rhodesia itself have begun.

Third, as most of you know, Rhodesia has for many years been dependent on one predominant agricultural crop, tobacco. The economists of the country have come to realize, especially in very recent years, that this is an undesirable situation and one which, indeed, can produce unfavorable results in the world market through overproduction. As a consequence, the Rhodesian tobacco industry has voluntarily imposed on itself production limits.

The CHAIRMAN. How much?

Mr. ELLMAN-BROWN. From 350 million pounds in 1964 to 240 this year.

The CHAIRMAN. That is making a little progress. [Laughter.]

Mr. PURCELL. However, urgent employment requirements of a fast-growing African population must be met, and a sound sugar industry, which like tobacco is a large employer of labor, will not only greatly assist in providing this employment, but will also provide a more balanced agricultural economy.

To meet these needs, Rhodesia is not seeking direct aid from the United States or elsewhere. Its desire is to generate the cash needed to improve its economy through the sale of its commodities abroad in meaningful quantities.

A quota of 9,000 short tons of sugar as provided in the bill will not yield significant returns. An allotment of 60,000 tons would go far toward providing the needed assurance.

In this connection, I would like to direct the committee's attention to the status of trade relations between Rhodesia and the United States. As the chart in the back of the Rhodesian sugar brochure which I have distributed graphically illustrates, Rhodesia is rapidly increasing its imports of goods from the United States, including farm products. Its imports of all goods have shown a dramatic rise in the last 3 years, resulting in a U.S. favorable balance of trade in 1964 of over \$9 million.

I respectfully submit that Rhodesia has a clear right to ask a substantial increase in U.S. imports of Rhodesian goods, and sugar again is the obvious answer.

Finally, Mr. Chairman, I must briefly address myself to the administration's method of allocating the foreign quotas as they affect Rhodesia. Rhodesia feels she is being unjustly penalized because she was not an exporter in 1962 and had only limited export surpluses in 1963 and 1964.

The fact of the matter is that Rhodesia shipped all of its uncommitted stocks to the United States in 1963 and 1964, and in March 1964 offered to supply this market on a long-term basis with much greater tonnages out of its sharply increasing production.

In that connection, I would refer you to the charts on pages 18 and 19 of the brochure.

When Rhodesia made these shipments and made this long-term offer, at all those times the U.S. price was well below the world market price.

Just before closing, I would urge you to see the attachment to our statement with respect to the quality of the sugar which is produced by Rhodesia. It contains three sheets: a raw sugar evaluation enclosed with a letter certifying the quality of the samples, and a letter which we have just recently obtained reflecting the pleasure of the refiners and satisfaction in the final goods produced pursuant to sample.

Mr. Chairman and members of the committee, I thank you for the privilege of appearing here today, and for your courtesy in listening to our presentation.

(The memorandum previously referred to follows:)

MEMORANDUM OF GANSON PURCELL IN SUPPORT OF A U.S. SUGAR QUOTA FOR
RHODESIAN SUGAR PRODUCERS

This memorandum is submitted in support of the Rhodesia Sugar Association's application to the Congress for participation in the sugar quotas for foreign countries under the bill (H.R. 10496) to the extent of not less than 60,000 short tons, raw value. As will be demonstrated, the Rhodesia sugar industry is capable in every respect of supplying at least this amount of sugar annually to the U.S. market, and the needs of this developing country fully justify the request.

RHODESIA AS A SUGAR PRODUCER

Rhodesia is a relative newcomer to the ranks of the sugar exporting countries of the world, but it is a sound and growing producer. It was only during the last 10 years that the sugar-producing industry was developed from an experimental effort into the great and growing industry that it is today. This development took place entirely in Southern Rhodesia, and has experienced its most rapid growth in the last 4 years.

Rhodesia was not a sugar-exporting country until 1963. It was a net importer until 1962, in which year its own production for the first time was sufficient to meet the domestic consumption requirements of the entire Central African Federation of which it was formerly a part. Consequently, when the sugar amendments of 1962 were under consideration by the Congress, the Rhodesian producers were not in a favorable position to seek participation as a foreign supplier of sugar to the U.S. market. Although expectations of increased production might have warranted Rhodesia's seeking an allotment at that time, they did not have the actual experience behind them to support an application for any substantial quota.

When, in the year 1963, Rhodesia's sugar production exceeded its own domestic consumption demands, and those of its former partners in the Federation (Malawi and Zambia), it began to look toward oversea markets in which to dispose

of its surplus. One of the first two lots of raw sugar which Rhodesia shipped abroad was to the U.S. market. Significantly, this shipment (of about 10,000 tons) was made to this country, at the U.S. price at a time when it could have been sold in the world market at a substantially greater profit. This country needed the sugar and was calling for supplies. Rhodesia answered that call for the dual purpose of showing its friendship to the United States, and signifying its desire to become a regular participant among the foreign suppliers to the United States. In December 1963, it made application under the global quota for 1964 and was again allotted a participation to the extent of about 10,000 tons.

In view of the administration's recommendation, as reflected in H.R. 10496, that foreign quotas be fixed in performances in the difficult years of 1963 and 1964, it must be stated that in those years Rhodesia shipped every available ton of sugar to the United States over and above contracts it had already entered into with neighboring countries and the United Kingdom. These shipments, although seemingly small in tonnage, actually represented 21.14 and 14.4 percent in the respective years of total sugar exported overseas, and as is known, were sold at well below the then world market price.

In March of last year, when it was expected that further amendments to the Sugar Act would be considered by the Congress, the Rhodesian producers advised the U.S. Government through diplomatic channels that they proposed to seek a substantial quota for 1965 and subsequent years. The amount again represented practically the whole of Rhodesia's uncommitted surplus, and the world market price was still well above the U.S. price. However, legislation was not forthcoming, and the foreign quotas established under the 1962 amendment expired at the end of 1964. The Department of Agriculture, acting under its general authority, fixed foreign quotas for 1965 based upon actual deliveries made in the years 1963 and 1964. The weighted calculation under the Department's formula resulted in a 1965 quota for Rhodesia of 9,197 short tons, raw value.

The following table contains figures showing present and future production by the Rhodesian sugar industry:

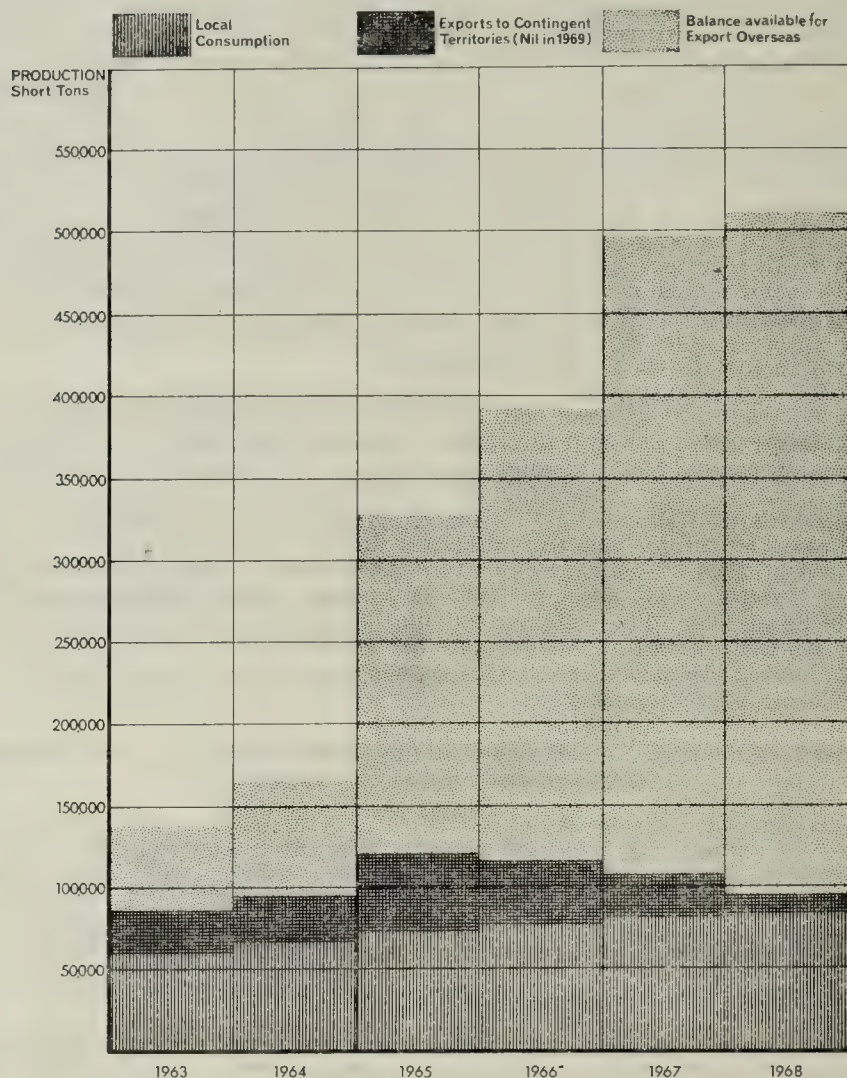
Raw sugar production, consumption, and exports from the commencement of exports in 1963 and projected to 1968

[In short tons]

	1963	1964	1965	1966	1967	1968
Total production.....	137,600	165,700	277,500	390,000	497,000	507,000
Rhodesian domestic market.....	62,900	65,000	70,250	72,500	75,000	81,500
Total exports.....	74,700	100,700	207,250	317,500	422,000	425,500
Local exports:						
Zambia.....	16,000	19,800	26,000	27,000	15,000	8,000
Malawi.....	9,700	10,800	17,700	11,000	8,000	-----
Bechuanaland Protectorate.....	-----	150	6,500	7,000	7,500	8,000
Total.....	49,000	69,950	157,050	272,500	391,500	409,500
Overseas exports.....	-----	-----	-----	272,500	391,500	409,500
United States of America.....	10,360	10,070	8,758	-----	-----	-----
Canada.....	21,500	27,000	53,000	-----	-----	-----
United Kingdom.....	17,140	32,880	72,892	-----	-----	-----
Japan.....	-----	-----	22,400	-----	-----	-----

In 1965, production will be 277,500 tons. Next year the figure will approach 400,000 tons and in 1967 almost half a million tons of sugar. Rhodesia will continue to honor its undertaking to supply the adjacent African States of Malawi and Zambia until they produce their own domestic sugar requirements. But even so, there will be a balance for overseas exports which next year will be over 270,000 tons and over 400,000 tons in 1968. The estimated growth in Rhodesia's exportable sugar surplus is illustrated dramatically in the following graph.

PRODUCTION CONSUMPTION & EXPORTS 1963-1968



Naturally, the industry is anxious to secure assured foreign outlets for as much of these surpluses as is possible. For that reason—and for very important complementary reasons which I shall mention—it is seeking a basic quota of 60,000 tons annually for importation into the United States. It is easily demonstrable that the Rhodesian growers can fill such a quota and any accretions to it which may result from an increased demand in the U.S. market.

Rhodesia's present long-term foreign commitments to countries other than the United States are rather limited in amount. Rhodesia acceded to the Commonwealth Sugar Agreement on January 1, 1965, but because of the limited quota balance available it attained a token fixed price quota of only 25,000 long tons. Its overall Commonwealth Agreement quota is 125,000 long tons, but the additional 100,000 tons are exportable only to the extent that a demand exists for the sugar in Britain and Canada. The price payable for these 100,000 tons is not fixed but is at world price plus a small preference. Other contracts for delivery of limited tonnages at values related to world market prices have been negotiated with Japan and Malaya.

QUALITY AND PRODUCTION OF RHODESIAN SUGAR

The sugar produced in Rhodesia is of a very high quality—rich in sucrose content. This committee will understand that the cost structure of any refinery is dependent to a very large degree on the quality of raw sugar available for processing. Rhodesian raw sugar has been endorsed and approved by those refineries which have taken delivery of this sugar in the United States. We are submitting as an attachment to this statement correspondence and a chemical analysis testifying to the very high quality of Rhodesian sugar which has been imported into this country. Moreover, this standard of quality is extremely consistent and does not vary from season to season.

The reason for this is that the cultivation and harvesting of cane is completely controlled, owing to the fact that the areas in which it is planted—known as the lowveld—contain very rich soil which is watered by irrigation. These lands, which were semiarid scrublands, have been reclaimed and made productive through the building of dams and reservoirs on the country's rivers at points in the higher altitudes where rainfall is plentiful, and through construction of a system of conduits which supply the water to the lowveld as desired.

As a result, the cane plantations enjoy a very high yield of cane and sugar, and an extraordinarily rapid harvesting period of only 12 to 13 months. An average cane yield of 1 ton of sugar from 8 to 8½ tons of cane is the rule in the industry. As a result, the lowveld area yields an average of 6 tons of sugar to every acre every year. Carefully rotated planting results in a more or less continuous production of cane for the mills which operate during a 9-month period from March to December of each year.

The cane-growing areas, being located some 400 miles from the sea, are free from the climatic disturbances experienced in coastal areas, such as hurricanes, and, of course, are not subject to drought.

Rapid rail delivery to the coast has been developed, and loading facilities at the port of Lourenco Marques in Portuguese Mozambique are exceedingly efficient. In fact, a bulk loading terminal at this port—now under construction and scheduled for completion in May 1966—will provide a greatly increased loading rate so that a ship may be turned around in as little as 12 hours' time. In addition, reserve storage capacity is available, and the Sugar Association plans to maintain a raw sugar reserve at port ready for loading of about 40,000 tons, and adequate reserve stocks will be held at the sugarmills.

Rhodesia is one of the lowest cost sugar-producing areas of the world, notwithstanding the cost of transportation from the mills to the coast. Delivery time from Lourenco Marques to New York is approximately 22 days, but because of the continuity and controlled method of its sugar production, Rhodesia cannot only give an unparalleled guaranty of availability of supply, but is prepared to deliver raw sugar to U.S. refiners on any date throughout the year specified by them, thus eliminating storage and other costs in this country.

THE IMPACT OF SUGAR ON RHODESIA'S ECONOMY

Until recently the population of the present sugar-producing areas supported itself at a very meager subsistence level. Ten years ago the population was negligible and there was virtually no paid employment. The significant change from this situation took place after the Kyle Dam, the first of the great water retention dams, was completed in 1961. By the beginning of 1965, the sugar industry had increased direct paid employment to a total of over 21,000 persons, of which all but about 500 were native Africans. It is estimated that the total population directly supported by the industry at that time was over 64,000 persons. Indirect employment extended the support of this cash economy to nearly 120,000 people, of which most are Africans.

The industry estimates that by 1968 the basic direct employment will have increased from 21,000 to 30,000 persons, with a corresponding increase in the total number of people directly and indirectly dependent upon the industry.

The accrual of social and economical benefits from the development of this industry over this brief period is probably unsurpassed anywhere in the world. New and modern housing has been built for the workers; schools and modern hospital facilities have been constructed; free education and hospital and medical benefits have been supplied for the workers and their families. The transformation of these people from a subsistence to a cash economy has been electrifying.

The lowveld areas are also being developed for the cultivation of other agricultural products so as further to insure the attainment of a more balanced economy. Further expansion of sugar production facilities will be realized at the end of 1965 when another water retention dam, presently under construction, will be completed, and the country's fourth sugar company will begin operations.

The financing of these projects is borne by private enterprise. Already, the sugar industry has expended \$72 million in plant, equipment, housing, and water supply; and before its present plans are completed will have invested a total of at least \$100 million. This excludes the cost of dams and major irrigation canals, which total an additional \$18 million. These outlays have increased the national income by about \$24 million and projections indicate a further increase in the next 2 years to over \$32 million.

Sugar is one of Rhodesia's most important exports. Currently it is the fourth largest earner of external currencies, ranking behind tobacco, gold, and asbestos. It is expected that within 2 years sugar will earn approximately \$28 million in foreign currencies, making it Rhodesia's second most important export.

THE NEED FOR MARKETS

The Rhodesian sugar industry is an exporter of only 2 years' standing and during this period it has succeeded in finding markets for its total production mainly on the strength of the reputation it has earned for high quality and reliable performance. However, the planned development is now coming into full production and an increasing tonnage must find its way to the markets of the world.

You will note that Rhodesia has only a limited domestic market and the sugar industry is taking vigorous steps to increase domestic consumption. But this cannot be accomplished in a short space of time; and even when an increase in the domestic market has been accomplished it will still be necessary to sell more and more sugar in the markets of the world. Within 18 months Rhodesia will be exporting some 400,000 tons of sugar a year, of which, as I have previously stated, only 25,000 tons is now assured of a guaranteed price.

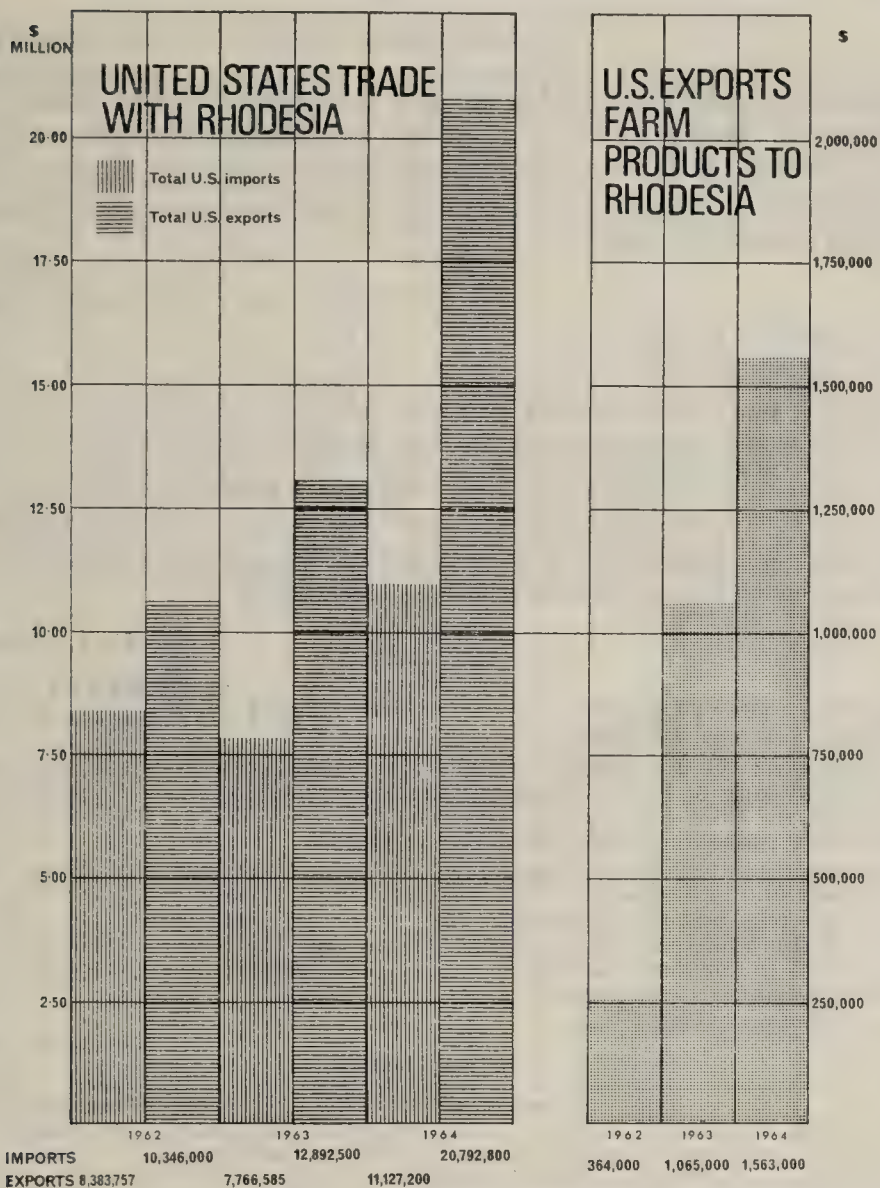
The continued growth and vitality of this industry, with its concomitant social and economic benefits, will necessarily depend on the ability of the growers to market their product throughout the coming years. A sound core of assured export outlets at stable prices is essential to this end. A substantial, and hopefully increasing participation in the U.S. market would be of invaluable assistance.

RHODESIAN TRADE RELATIONS WITH THE UNITED STATES

One of the paramount considerations which the Congress has historically emphasized in allocating the U.S. market to foreign suppliers under the Sugar Act has been the contribution which foreign suppliers in turn can make to this country's economy and, in particular, to its agricultural economy. Of corresponding importance is the question of the extent to which foreign suppliers are already recipients of direct economic assistance from the United States.

Rhodesia is not among those countries which receive direct aid from the United States in any form, and has no intention of seeking such aid. It is content to obtain its economic benefits from this country through sales to it of Rhodesian products. An increase in its sugar exports to the United States would add significantly to its income from this trade.

As of today, the balance of trade between the two countries favors the United States and has done so for several years. In fact, there has been a marked increase in the excess of Rhodesian purchases of U.S. goods over U.S. purchases of Rhodesian goods. This is particularly true in the case of Rhodesian imports of U.S. farm products. The following chart graphically illustrates the trade relationship between Rhodesia and the United States:



As the chart indicates, there was an excess of approximately \$2 million of Rhodesian imports from the United States over its exports to this country in 1962, and that gap widened appreciably in 1963 and 1964, growing to more than \$9 million in 1964—nearly a 2-to-1 ratio. Rhodesian imports of farm products from the United States (chiefly wheat and canned foods) as shown on the same chart, have increased from approximately \$360,000 in 1962 to over \$1 million in 1963, and more than \$1,500,000 in 1964.

Sales of Rhodesian sugar into the United States would not affect this trend significantly, since the receipts from such sales are returned to the sugar producers and their employees. When cash comes into the pockets of the African worker it stimulates his buying of what Americans regard as the necessities of life which, until recently, have been beyond the reach or realization of the worker and his family. One fact alone, sufficient to illustrate the point, is that the subsistence-farmer-turned-sugar-worker spends his cash first and foremost on bread, which was never before available to him. Rhodesia, which is not a wheat-producing country must—as it has in the past—rely on the United States for a significant proportion of its supply of this basic commodity.

The CHAIRMAN. We thank you, Mr. Purcell.

This prepared statement you have would show something about your production of sugar, carryover of sugar, and potential production, and all those facts?

Mr. PURCELL. It does, it does. I might ask, perhaps, where I refer in the prepared statement to the charts and tables in the brochure, if those charts and tables, which are very short, might just be reproduced at that point.

The CHAIRMAN. I would think so, yes.

Mr. PURCELL. Thank you, sir.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Purcell, are you a full-time employee of the Rhodesian Sugar Association?

Mr. PURCELL. No, I am not, sir; I am a practicing lawyer here in the city of Washington. The Rhodesia Sugar Association is simply one of my clients.

Mr. FINDLEY. I see. You are employed by the company for the purpose of presenting its request to the committee?

Mr. PURCELL. That is correct, sir.

Mr. FINDLEY. Would you mind telling the committee what the terms of your employment are?

The CHAIRMAN. I will object to that. Mr. Purcell, don't answer it. That is not going to be tolerated in this committee room as long as I am presiding. It is none of your business and none of my business what his terms of employment as a lawyer are. He fixes his own fee and his own arrangements. This is not that kind of a hearing and this is not an investigative committee. I don't recognize you for that purpose.

Mr. FINDLEY. Mr. Chairman, my question was based upon did he object to the statement of facts.

The CHAIRMAN. I objected to it. We are not going to conduct any inquisition in this room on the members of the legal profession who arrange their own fees, and it is none of your business and none of mine either. So thank you very much.

Mr. PURCELL. Thank you very much.

The CHAIRMAN. All right. The next witness we will call is Mr. Laughlin.

I want to commend you upon having a lot of friends. We must have a lot of mutual friends because I heard a lot about you before you got here, even from the North Carolina Governor's office.

**STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT,
OWENS-ILLINOIS, INC.**

Mr. LAUGHLIN. Well, it is an honor to have mutual friends of the chairman of the committee, sir, and we are very pleased at that.

The CHAIRMAN. Thank you.

Mr. LAUGHLIN. I am Hugh C. Laughlin of Owens-Illinois, Inc., and a director of that company. Our headquarters are in Toledo, Ohio.

I am appearing before you today to urge that you give favorable consideration to including a quota which will allow importation of approximately 20,000 tons of raw sugar per year from the Bahamas beginning with the calendar year 1968, in any extension of the Sugar

Act of 1948. (This would require adding a quota for the Bahamas of approximately one-half of 1 percent (0.5 percent) with a proviso delaying its effectiveness until 1968.) I will hereafter refer to such legislation as "the act." The Bahamas as you know are a largely self-governing colony of the United Kingdom and located immediately to the east of Florida. The Bahamas are designated as an undeveloped area by our Department of State but receive no U.S. governmental aid. The sugar will be produced on Great Abaco next to the northernmost island in the Bahamas.

You may wonder why Owens-Illinois, and the American Corporation, has an interest in producing sugar in the Bahamas, and I will first deal with that.

We are an Ohio corporation, and our principal businesses, as some of the members of this committee know, because we have plants in your districts, are the production of glass containers, table glassware, scientific glassware, plastic products (largely blown plastic containers and plastic closures for containers), and paperboard and corrugated shipping containers manufactured from paperboard. By the way, I have included an annual report of Owens-Illinois for 1964 for the information of the committee.

We own and lease approximately over 1 million acres of woodlands which produce pulpwood, to be used for the manufacture of paperboard, and part of these acres are in the Bahamas. We commenced the cutting of pulpwood on Grand Bahama Island in 1957 under a Crown lease. We completed that operation when all the pulpwood was cut in 1959, and then moved to Great Abaco Island where we have been cutting pulpwood since 1959.

This pulpwood is transported to a mill located in Jacksonville, Fla. These operations are conducted under a lease from the British Crown which extends until the year 2000. However, current pulpwood cutting operations on Great Abaco will terminate about midyear 1967 and cannot be resumed until a new crop of pulpwood reaches cutting size in about 25 years.

Approximately 500 persons are employed in these pulpwood operations. These people with their families and persons dependent upon them for support constitute well over half of the population on the island. Owens-Illinois is currently the largest industrial employer in the Bahamas.

We have made capital expenditures of over \$5,300,000 in connection with these operations on Great Abaco. They cover a system of roads over 1,000 miles in length, heavy transportation equipment, a large dock facility, and oceangoing tugs and barges together with supporting machine shops, power and light facilities, offices, housing and school buildings, general merchandise store, and a water supply system.

This is in great contrast to the situation on Great Abaco when Owens-Illinois commenced operations there. We literally waded ashore at the point where our headquarters are now located. There was only one automobile on the whole island, which is 100 miles long. Its economy was the most primitive and opportunities for gainful employment almost nonexistent. I have included for the information of the committee a report on our stewardship at Great Abaco, which, I think will be of interest to the committee also, as the committee charged with forestry matters for the United States, because this is

a detailed discussion of how we have conducted these pulpwood operations there.

If we cease our operations on Great Abaco in June 1967, after completion of such pulpwood operation, the economy of that island and the Bahamas generally will be very adversely affected. The road system, which is essential to the economy of the island, will largely disappear through lack of care. Most important of all, the people now employed will have no immediate source of livelihood except casual fishing and uneconomic small-lot produce raising.

Realizing the seriousness of this situation from the standpoint of the future economy of the island, Owens-Illinois in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco which would provide continuing industrial employment. That firm, after detailed study of a number of agricultural and industrial alternatives, recommended the growing of sugarcane and its manufacture into raw sugar for export as the only operation which it believed would be economically feasible.

We then employed Booker Bros., McConnell & Co., of London, one of the world's leading sugar agronomists, and Arthur G. Keller, Inc., of Baton Rouge, La., outstanding experts on sugar production, to study in depth sugarcane growth and raw sugar manufacture on Great Abaco. Their conclusions are:

1. Agricultural conditions for growing sugarcane on Great Abaco are nearly ideal. The soil is suitable. There are no frosts. The rainfall is ample in amount and seasonably well distributed for cane production.

2. Industrial conditions for production of raw sugar there are excellent. There is an unusually long milling season, a high degree of mechanization is possible, and there is a ready supply of semiskilled and skilled labor. This is the labor we have trained in our present operations.

These conclusions are fully supported by the experimental sugarcane plantings which we and others have made which are controlled by us, which are of sufficient size to provide the basic seed cane needed for the operation we contemplate.

What are the benefits of having the Bahamas as a sugar producer, sure sugar producer for the United States of America? Well, in the first place among the purposes of the act are:

- (1) Assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and

- (2) Encouragement to nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purposes of expanding international trade and assuring a stable and adequate supply of sugar. The support of sugarcane growing and raw sugar production in the Bahamas fulfills these purposes from the standpoint of (a) nearness of supply, (b) relatively low cost of production, (c) immediate return to the U.S. economy of dollars expended for sugar purchased from the Bahamas, and (d) support of the economy of an area of crucial political importance to our country.

No offshore country enjoying a sugar quota under the act is located as close to sugar refining facilities in the United States as Great Abaco, Bahama Islands, which is approximately 185 miles east of the Palm Beach, about 30 hours by barge to the mainland from Great Abaco.

We are informed by leading sugar refiners and users in this country that such a nearby offshore source of supply with low freight cost and short delivery time is much to be desired from the standpoint of ready availability and stability of supply. We think from the standpoint of national security that it is obvious that this would be an ideal point to have a sugar supply.

Second, from a cost standpoint, this will be one of the most, relatively, low-cost operations that you will find, we believe, anywhere in the world, and we believe it is in the interests of the U.S. refiners and consumers that offshore operations be as efficient and low-cost as possible, particularly those upon which we may be called to rely in periods of shortage.

From the standpoint of balance of payments, and here I do not want to go into great detail, but I think I can say very firmly that from the standpoint of balance of payments, the situation of the Bahamas is as strong or stronger than that of any other prospective producer of sugar. Our exports to the Bahamas in 1964 totaled \$95.8 million compared to imports from the islands in the amount of \$20.5 million. Even if proceeds from tourism and other indirect payments are included, the balance of payments still runs heavily in our favor. The balance will be between 1½—it is very difficult to get this figure—but it will be in the range of between 1½ and 2 to 1 as far as the relations of the Bahamas to the United States are concerned, with the United States having the favorable balance.

Dollars spent in the Bahamas will come right back from an economic standpoint, and the situation is the same as the domestic situation because the Bahamas are dependent upon us for their food, for their textiles, for their machinery, all of the machinery going into this operation will come from the United States, and so from this standpoint, from an economic standpoint, this is an ideal place for the production of sugar for the U.S. market.

Finally, it goes without saying that support of the economy of our nearest offshore neighbor which is recognized by our Government as the nearest developing country—and I ask you here not to think of the Nassau that you know, perhaps, but these out islands, which are in a developing economy—is of utmost importance to us from both the long- and short-term situation.

The Bahamas Government has been most cooperative with our Government in all political matters, including particularly defense support. You are, perhaps, familiar with the great submarine research program that is going on on South Andros, which has been done jointly by the Bahamas Government and our own.

I do not think there is any more friendly nation or one that is more important to our security than the Bahamas, our next door neighbor, a hundred miles or more to our east.

Owens-Illinois presently intends to proceed with this program if it can secure, if the Bahamas can secure, a relatively small quota which would undergird the operation because the only other immediate source of protected market will be the small market in the Bahamas themselves which total approximately, will total, by 1968 approximately 8,000 tons.

We are willing to take, we think, that a minimum operation there at the outset would be approximately 50,000 tons, and the optimum

operation will be 75,000 tons. But we are suggesting here a quota of approximately 20,000 which would allow the establishment of what we believe is a highly strategic and important and worthwhile source of sugar immediately adjacent to the continental United States.

I thank the committee and particularly for the acceleration of my statement.

The CHAIRMAN. We thank you very much, Mr. Laughlin. I am sure your views will be borne in mind when the committee goes into executive session.

(The prepared statement of Mr. Laughlin follows:)

STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT, OWENS-ILLINOIS, INC., TOLEDO, OHIO

Identification

I am Hugh C. Laughlin, executive vice president and a director of Owens-Illinois, Inc., which has its headquarters in Toledo, Ohio.

Purpose of appearance

I appear before you today to urge that you give favorable consideration to including a quota which will allow importation of approximately 20,000 tons of raw sugar per year from the Bahamas, beginning with the calendar year 1968, in any extension of the Sugar Act of 1948. (This would require adding a quota for the Bahamas of approximately one-half of 1 percent [0.5 percent] with a proviso delaying its effectiveness until 1968.) I will hereafter refer to such legislation as the "act." The Bahamas, as you know, are a largely self-governing colony of the United Kingdom and located immediately to the east of Florida. The Bahamas are designated as an undeveloped area by our Department of State but receive no U.S. governmental aid. The sugar will be produced on Great Abaco, next to the northernmost island in the Bahamas.

History of the interest of Owens-Illinois in the Bahamas

Owens-Illinois is an Ohio corporation. Its principal businesses in this country are the production of glass containers, table glassware, scientific glassware, plastic products (largely blown plastic containers and plastic closures for containers) and paperboard and corrugated shipping containers manufactured from paperboard. A copy of the annual report of Owens-Illinois for 1964 is filed with this statement as exhibit 1.

Owens-Illinois also owns or leases and operates extensive woodlands which produce pulpwood—the basic raw material for paperboard production. In 1957 Owens-Illinois commenced the cutting of pulpwood on Grand Bahama Island under a crown lease. This operation was completed in 1959. Since then, Owens-Illinois has conducted, through a wholly owned subsidiary, what we believe to be the largest pulpwood operation in the world on Great Abaco Island in the Bahamas. The pulpwood cut there is transported by barges to a paperboard mill located at Jacksonville, Fla. These operations are conducted under a lease from the British Crown which extends until the year 2000. However, current pulpwood cutting operations on Great Abaco will terminate about midyear 1967 and cannot be resumed until a new crop of pulpwood reaches cutting size there in about 25 years.

Approximately 500 persons are employed in these pulpwood operations. These people, with their families and persons dependent upon them for support, constitute well over half of the population on the island. Owens-Illinois is currently the largest industrial employer in the Bahamas.

We have made capital expenditures of over \$5,300,000 in connection with these operations on Great Abaco. They cover a system of roads over 1,000 miles in length, heavy transportation equipment, a large dock facility, and oceangoing tugs and barges, together with supporting machine shops, power and light facilities, offices, housing and school buildings, general merchandise store, and a water supply system.

This is in great contrast to the situation on Great Abaco when Owens-Illinois commenced operations there. We literally waded ashore at the point where our headquarters are now located. There was only one automobile on the whole island, which is 100 miles long. Its economy was most primitive, and opportunities for gainful employment almost nonexistent. A description of these pulpwood

operations is contained in the brochure entitled "Report of Stewardship—Owens-Illinois of the Bahamas," which I am filing with this statement as exhibit 2.

If Owens-Illinois ceases operations on Great Abaco in June 1967, after completion of such pulpwood operation, the economy of that island and of the Bahamas generally will be very adversely affected. The road system, which is essential to the economy of the island, will largely disappear through lack of care. Most important of all, the people now employed will have no immediate source of livelihood except casual fishing and uneconomic small-lot produce raising.

Realizing the seriousness of this situation from the standpoint of the future economy of the island, Owens-Illinois in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco which would provide continuing industrial employment. That firm, after detailed study of a number of agricultural and industrial alternatives, recommended the growing of sugarcane and its manufacture into raw sugar for export as the only operation which it believed would be economically feasible.

We then employed Booker Bros., McConnell & Co., of London, one of the world's leading sugar agronomists, and Arthur G. Keller, Inc., of Baton Rouge, La., outstanding experts on sugar production, to study in depth sugarcane growth and raw sugar manufacture on Great Abaco. Their conclusions are:

1. Agricultural conditions for growing sugarcane on Great Abaco are nearly ideal. The soil is suitable. There are no frosts. The rainfall is ample in amount and seasonably well distributed for cane production.

2. Industrial conditions for production of raw sugar there are excellent. There is an unusually long milling season, a high degree of mechanization is possible, and there is a ready supply of semiskilled and skilled labor.

The conclusions as to agricultural conditions on Great Abaco are fully supported by experimental sugarcane plantings located on the island and owned or controlled by Owens-Illinois. These plantings are sufficient in size to provide the basic seed cane for the operation we contemplate.

Benefit of proposed quota for the Bahamas to the United States of America

Among the purposes of the act are (1) assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and (2) encouragement to nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purposes of expanding international trade and assuring a stable and adequate supply of sugar. The support of sugarcane growing and raw sugar production in the Bahamas fulfills these purposes from the standpoint of (1) nearness of supply; (2) relatively low cost of production; (3) immediate return to the U.S. economy of dollars expended for sugar purchased from the Bahamas; and (4) support of the economy of an area of crucial political importance to our country.

No offshore country enjoying a sugar quota under the act is located as close to sugar refining facilities in the United States as Great Abaco, Bahama Islands, which is approximately 185 miles east of Palm Beach, Fla. We are informed by leading sugar refiners and users in this country that such a nearby offshore source of supply with low freight cost and short delivery time is much to be desired from the standpoint of ready availability and stability of supply.

Our studies show that full mechanizations; a long growing, harvesting, and manufacturing season (200 to 300 days); and favorable climate and rainfall make for a relatively low cost operation. It is in the interest of the U.S. refiners and consumers that such offshore foreign operations be as efficient and low cost as possible so that they will tend toward stabilization of U.S. and world sugar prices at a reasonable level.

U.S. dollars spent for raw sugar will be returned in large part to the United States in the form of purchases of equipment, agricultural produce and other foodstuffs, textiles, and other supplies. This has been the history of the present operations of Owens-Illinois in the Bahamas and of other U.S. operations there, including even U.S. tourism. Our exports to the Bahamas in 1964 totaled \$95.8 million¹ compared to imports from the islands in the amount of \$20.5 million.¹ Even if proceeds from tourism and other indirect payments are included, the balance of payments still runs heavily in our favor. Thus, the balance of payments between the Bahamas and the United States distinctly favors our country's support of sugar operations there. This is, from an economic standpoint, more like support of domestic sugar operations than support of most other foreign operations.

¹ Source: International Monetary Fund and World Bank.

It goes without saying that support of the economy of our nearest offshore neighbor which is recognized by our Government as the nearest developing country, is also very much in our short-term and long-term interest from a political standpoint. The Bahamas Government has been most cooperative with our Government in all political matters, including particularly defense support.

Need for quota

Owens-Illinois presently intends to proceed at once to complete a sugarcane growing and milling project on Great Abaco which will begin production in the fall of 1967 after the pulpwood operations I have described are terminated, assuming adequate quotas are granted. The people involved will have employment. The existing road system, land clearing, hauling, and shipping facilities will all fit excellently into such an operation.

Owens-Illinois already controls over 4,400 acres of cleared agricultural lands on Great Abaco ideally suited for sugarcane growing. We have assurances from the Bahamian Government that rights to some 45,000 needed additional acres will be available once the project is assured.

The Bahamian Government has been kept fully informed of all of the foregoing and the Prime Minister of the Bahamas has repeatedly expressed the enthusiasm of his Government for this important proposed contribution to the economy of his country.

The committee may ask why we feel that a U.S. quota is necessary for support of this project if it appears so favorable from an agricultural and industrial standpoint. The answer is that the undedicated world market is relatively small and is so much subject to Communist-controlled manipulation that neither Owens-Illinois nor any other private enterprise can afford the capital risk involved in such a project without support of at least a minimum quota provision from the world's largest user.

An optimum size operation would require production of approximately 75,000 tons of raw sugar a year. However, we do not ask for access to the U.S. market for this volume. The quota we are requesting, plus very limited sales of refined sugar in the Bahamas themselves, should make possible a break-even operation. We are prepared to take our chances on the world market, and on additional sales to the United States if other quotas are not met, with the balance of the tonnage of the mill. Quota approval would allow this very worthwhile project to go forward.

The CHAIRMAN. I want to recognize the Honorable Charles Patrick Clark, who has been here in Washington for many, many years, and was chief counsel for the Truman committee back in the old days. I remember that Mr. Truman complimented Mr. Clark by saying that he was a public servant who had no equal. That comes from a great man.

Mr. Clark, I am sure the committee will hear you with great interest.

STATEMENT OF CHARLES PATRICK CLARK, REPRESENTING VENEZUELAN SUGAR DISTRIBUTION ASSOCIATION

Mr. CLARK. Thank you, Mr. Chairman.

Chairman Cooley and members of the House Agriculture Committee, my name is Charles Patrick Clark. Our law firm represents Distribuidora Venezolana de Azucares, hereinafter referred to as D.V.A., or the Venezuelan Sugar Distributing Association. To my right, we have a noted Venezuelan economist and representative of the sugar industry, Dr. Manuel Perez-Olivares, a graduate of Harvard University. To my left is Dr. Ernesto Vallenilla, who represents the Venezuelan Sugar Distributing Association in Venezuela. Dr. Perez-Olivares and Dr. Vallenilla will be pleased to answer any questions of a technical nature concerning Venezuelan sugar which you, Mr. Chairman, or members of the committee may wish to ask.

I would also like to present the president of the Venezuelan Sugar Distributing Association, Dr. Jose Rafael Colmenares, a very distin-

guished gentleman, who has served for 10 consecutive terms as the president of the association without opposition, and the Venezuelan Government's sugar representative, Dr. Antonio Espinoza-Prieto.

We also have Domingo Isasi, a mill manager who is a graduate of the University of Illinois, and also has two sons who are taking post-graduate work in the University of Illinois.

We also have Edgard Leal, representative of the Venezuelan Ambassador, Enrique Tejera-Paris.

Mr. Chairman, we have a supplemental statement with exhibits, which we respectfully request be inserted in the record. This statement describes the principal functions of D.V.A., various facets of the Venezuelan sugar industry, including production, consumption, and surpluses, and labor-management relations, which I might say are excellent. The statement also includes a map of Venezuela showing the locations of the 12 sugar mills and the sugar-producing areas, the political structure of the country, its economy, foreign trade, balance of trade, balance of payments with the United States, purchases from the United States, its debt record, Government finance, Venezuela's programs of health, education, and labor, and historic ties with the United States.

I would now like, with your permission, Mr. Chairman and members of the committee, to make a brief statement as to the reasons why we believe Venezuela should be permitted by your committee to participate, by way of a permanent quota, in the U.S. sugar market.

This is the first time Venezuela has appeared before your committee seeking a permanent sugar quota, simply because Venezuela's outstanding economists, including Dr. Perez-Olivares, because the economists recommended that the country not depend on oil exclusively. That accounts for 93 percent of its exports, but that rather to diversify the country's exports by increasing its agricultural production which would allow for an increase in sugar production and in turn increase its agricultural exports. This Venezuela has done successfully. She is now in a position, by reason of having a sugar supply much greater than her domestic demand, to seek—and we ask very respectfully from your committee—a permanent sugar quota of 40,000 tons annually.

Mr. Chairman and members of the committee, we should keep in mind that, unlike other countries, Venezuela has no preferential sugar market other than the United States for her exportable sugar and quite naturally looks to the United States as a nearby outlet.

The sugar industry is now one of the most important industries in Venezuela's economy, not only because of the volume and value of its production in the agricultural and industrial sectors, but also because of its ability to provide employment. The sugar industry employs approximately 50,000 people, a far greater number than the petroleum industry employs.

The Venezuelan sugar industry consists of 12 mills, having a present production capacity of over 460,000 short tons of sugar per year. The sugar industry processes over 3,500,000 short tons of cane per year, produced on 1,327 privately owned farms. The six privately owned mills produce 57 percent of the Venezuelan sugar; the six Government-owned mills produce 43 percent. The 12 mills are located in regions having the best agricultural characteristics in Venezuela and, at the same time, are near port facilities which are easily accessible over first-class paved roads.

The supervision and operation of the Venezuelan sugar industry is highly efficient; many of its technicians, as well as management and its representatives, were educated in American colleges and universities. The equipment in the Venezuelan sugar mills is modern—85 percent of its essential machinery being less than 15 years old, the largest percentage of it being of American manufacture. The total Venezuelan investment in American equipment is approximately \$58 million, of which \$21 million has already been depreciated. The combination of superior machinery, modern fabrication methods, and quality chemical products has resulted in the production of refined sugar equal to that of any sugar-producing country in the world.

The sugar industry makes extensive use of automatic instruments and controls, especially in the steam generation and processing departments. This automation results in higher operating efficiency, better working conditions, and increased productivity of high quality sugar.

DVA institutes periodic comprehensive economic and research studies of the entire sugar industry in order to increase its efficiency and productivity.

In the field of labor relations, the sugar industry has shown a spirit of constructive cooperation with labor, resulting in a higher level of income and standard of living for the sugar workers. The history of labor in Venezuela has been one of progressive legislation and efficient administration designed to assure the workers fair treatment and just compensation. Such modern concepts as profit sharing and social security have been part of Venezuelan law for 30 years. These concepts are reflected in a series of collective bargaining contracts which have received high praise from many Latin American institutions, but in the United States as well.

At this point, Mr. Chairman and members of the committee, we like to think that Mr. Quinn when he testified and stated that the sugar workers in Ecuador were the best treated in Latin America, that he really did not mean that.

The CHAIRMAN. You mean other than in Venezuela.

Mr. CLARK. No, Mr. Chairman. While I am not authorized to speak for the other Latin-American countries, and have only been retained by Venezuela, I would like to say that all Latin American countries including Venezuela have great solicitude for their sugar workers.

The sugar industry has had great influence in many Venezuelan communities in eliminating pockets of poverty which the Communist cause thrives on.

Venezuela historically has been an excellent market for U.S. exports with over 50 percent of its imports coming from the United States. Venezuela ranks 2d in Latin America and 10th in the world as a customer of the United States. For example, Venezuela purchases from the United States large annual amounts of livestock, agricultural commodities, such as wheat, fruits, cereals, and vegetables; also agricultural and industrial machinery, and chemicals, to name a few.

Not that we want to quarrel with Mr. Chapman, but Mr. Chapman submitted, as you said, Mr. Chairman, a very comprehensive statement—for instance, in describing Latin American purchases of U.S. agricultural commodities, Mr. Chapman put Mexico first whereas

Venezuela should be first—Mr. Chairman, a point of information for yourself and the committee.

The CHAIRMAN. Yes, sir.

Mr. CLARK. Mr. Chapman, in drafting this chart, omitted Venezuela, and Venezuela happens to be No. 1 in the Western Hemisphere insofar as agricultural purchases from the United States are concerned.

The CHAIRMAN. Which chart are you talking about?

Mr. CLARK. I am talking about the chart, Mr. Chairman, which does not have a page number, so I am at a loss to describe it. But if you will take the last page, Mr. Chairman, you will see agricultural imports from the United States, cash and foreign aid.

The CHAIRMAN. He just forgot to put you on here, that is all.

Mr. CLARK. Not only has Mr. Chapman not put us on, Mr. Chairman, but he has not described the situation correctly in agricultural purchases because they have \$65,424,000, and the \$9 million is foreign aid. Venezuela has received no foreign aid, and has made over \$100 million in agricultural purchases in 1964.

The CHAIRMAN. Well, the committee will accept your amendment to Mr. Chapman's chart.

Mr. CLARK. Thank you for that.

In the years 1962–64, the United States exports to Venezuela jumped from \$465 million to over \$600 million and are still increasing. On the other hand, in recent years one-third or about 40 percent of Venezuela's exports, mostly in oil and its derivatives and iron ore, are sold to the United States. This means simply that, relative to the other countries, Venezuela buys a larger proportion of diversified purchases from the United States and sells a smaller proportion of her exports to the United States. The allocation of Venezuela's requested permanent sugar quota would, Mr. Chairman and members of the committee, help to reduce this imbalance and give validity, if you will, to the U.S. policy regarding reciprocal trade particularly in the Western Hemisphere.

As stated earlier, if there is one particular factor which has been a disturbing element to the Venezuelan Government and its people, it is the reliance on a single product such as oil as the keystone of its economy. The present Government has an acute awareness of this situation and has taken all possible steps and measures to enlarge the economic activities of the country by diversifying agricultural production in the way of increased sugar production and industrial expansion.

Mr. Chairman and members of the committee, you well know how very important agriculture is to the progress and growth of any country. I need not tell you it was the foundation on which the economy of the United States prospered and grew.

I am sure you will be interested to know that of the 800,000 workers engaged in agriculture in Venezuela, approximately 50,000 are engaged in sugar production.

It goes without saying that a sound and developing agricultural sector will not only enhance the well-being of a country's rural population, but will strengthen the political stability of the country as well and will assure more widespread sharing of the benefits of economic development. In this respect, Venezuela's modest requested perma-

ment quota is in consonance with its desire to achieve a healthy agricultural environment and greater diversification of its economic activity.

Because of Venezuela's good fortune in having such expansive mineral reserves, its political stability is of particular meaningfulness to the Western World. Those entrusted with the reins of Government from President Raul Leoni down are well aware of the extra need for the preservation of freedom and security, so that not only will its people benefit from these resources, but also Venezuela will be enabled to contribute to the development of the free world by continuing as a valuable ally to the United States and the Western Hemisphere.

In assisting Venezuela to diversify its export trade, by way of a permanent sugar quota, you and your committee, Mr. Chairman, would contribute greatly to Venezuela's economic, social, and financial strength, thereby permitting her to be ever on the alert to prevent the exportation, if you will, of communism as practiced by Castro, not only in their own country but in Latin America as well.

In recent years, the Democratic Government of Venezuela, under Presidents Betancourt and his successor Raul Leoni, has moved with great vigor, industry, and imagination to expand its facilities for education and health, to provide opportunity and security for its workers, to develop transportation and other essential facilities for economic development, and above all to pursue sound fiscal and monetary policies designed to achieve that kind of prosperity and that kind of system of incentives and those institutions which will bring about a more widely distributed prosperity and economic soundness, thereby making for a greater stability in the Government.

The confidence and regard that U.S. private industry has for Venezuela and its people is borne out by the amount of American investment which approximates \$3 billion. These investments are held by some of the most outstanding and influential corporations in the United States.

Mr. Chairman and members of the committee, I would like to say that my statements regarding the Venezuelan Government and the Venezuelan sugar industry are based on firsthand knowledge, since I recently spent 10 days in Venezuela during which time I visited various sugar mills and observed their operations, and spoke with sugarcane workers, landowners, farmers, mill management, labor union officials, and Government officials having an interest in sugar production.

I would like to say, Mr. Chairman, that I have been advised by Venezuelan officials that Venezuela would, if requested, be willing to set aside a standby reserve of sugar in reasonable proportion to the amount of its permanent quota, if any emergency existed in the United States.

I also discussed the operation of Venezuela's sugar industry and its request for a permanent sugar quota with American Embassy officials in Caracas, including the Minister Counselor, the economic counselor, the agricultural attaché and the labor attaché. I would have visited with the Ambassador, our distinguished Ambassador, but he happened to be out of the country, out of Venezuela.

I would like to mention at this point, Mr. Chairman and members of the committee, that everywhere I traveled in Venezuela, and it was extensively, I found nothing but the friendliest of feelings on the part of the Venezuelan Government officials and the people for the United States, its people and our institutions.

In conclusion, permit me to say, Mr. Chairman, that Venezuela is a free, constitutional, Democratic Government, patterned after the U.S. Government and has proven herself a bulwark against communism in Latin America, thus making herself a strong and effective link in our western hemispheric chain of security.

Venezuela stood resolutely by our side in the late Cuban crisis, and has outlawed the Communist Party, knowing full well that the greatest threat to peace, liberty, and the economic and social and spiritual progress in the Western Hemisphere lies in the menace of communism.

The Venezuelan Government, as recently as November 1964, in a gesture of friendship to the United States, accelerated by 4 years the payment of the balance of its \$75 million loan with a payment of \$60 million to the Export-Import Bank, thereby helping the United States to reduce its deficit in its balance of international payments.

Mr. Chairman and members of the committee, it is our considered judgment that Venezuela meets all the criteria laid down in the Sugar Act of 1937, superseded by the Sugar Act of 1947, in that she is a nearby friendly country and should be permitted to participate equitably in supplying the U.S. sugar market by way of a permanent quota, thereby expanding our international trade and permitting Venezuela to assist the United States in maintaining a stable and adequate domestic supply of sugar.

It is our further judgment that the best interests of the United States would be served by your committee, Mr. Chairman, in granting Venezuela's request for what proportionately could be described as a very modest permanent sugar quota, thus helping to strengthen her democratic free Government, bolster and diversify her economy, thereby carrying out the spirit, the intent, and the philosophy of the Sugar Act.

Mr. Chairman, we would be pleased to furnish your committee any additional information regarding Venezuela's sugar industry or related matters you may wish.

Thank you.

(Mr. Clark's supplemental statement, with exhibits referred to above, follows:)

Projected Venezuelan sugar estimates for years 1965 to 1970

[Short tons]

Year	Production	Consumption	Surplus
1965.....	374,000	308,000	66,000
1966.....	379,500	321,200	58,300
1967.....	396,000	335,500	60,500
1968.....	412,500	352,000	60,500
1969.....	429,000	365,200	63,800
1970.....	445,000	380,600	64,400

SUPPLEMENTAL STATEMENT OF CHARLES PATRICK CLARK REPRESENTING VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION, DVA

DVA was organized as per charter duly registered in Caracas, Venezuela, on March 19, 1956, as a limited liability association under the pertinent provisions of the Venezuelan Commercial Code. The financial interests of the participants in a limited liability association are represented by units, each unit equal to a fixed percentage of the capital and not, as corporations, by individual shares of stock evidenced by certificates.

DVA represents the interests of 12 sugar mills comprising 95 percent of the sugar produced in Venezuela.

DVA was created for the purposes of having a single clearinghouse for handling all sales and distribution of sugar. The necessity for its creation was due to the rapid and uncontrolled expansion of the sugar industry between 1950 and 1956, in which producers found themselves confronted with production far in excess of domestic consumption and total lack of proper management of supply.

The internal structure of DVA is as follows: the final authority is vested in the associates, who meet once a year and elect a board of directors, the president, two vice presidents, a general manager and a comptroller, all of whom are elected for a 1-year term.

Management and policy decisions are vested in the board of directors. Each of the 12 sugar mills are represented on the board of directors by 1 member and 3 alternates who meet once a week. Decisions are taken by 65 percent of the capital represented at the meeting except for loans where 90 percent approval is required.

There is also, within DVA, an advisory committee having equal representation from the mills and cane growers. This committee has jurisdiction over all sugar matters pertaining to: selling prices; exportation and importation; terms and conditions of contracts between DVA and cane growers; and production agreements.

The first task of DVA in 1956 was to prepare a program which would dispose of sugar surpluses. This was accomplished by programing exports to the world market over several years and by the establishment of voluntary acreage limitations among the producers. Both undertakings being successful, they brought stability out of chaos in the industry.

The principal functions of DVA may be summarized as follows: to provide for the distribution of sugar to domestic consumers at the lowest possible cost; to receive on consignment sugar produced by associated mills; to sell, under its own terms and conditions, the sugar thus received; to obtain loans for its associates and to act as depository of the sugar given by them as collateral; to stimulate the consumption of sugar; and to act as agent of its associates in purchase of sugar, machinery and related items.

To assure efficiency in the management of the sugar industry, DVA maintains very complete data and is recognized by Government and private industry as having the most accurate industrial statistics in Venezuela.

DVA acts as an intermediary between the sugar producers and lending institutions in the financial negotiations involving sugar consigned to DVA, maintaining controls satisfactory to the lender and thus simplifying the processing of the loans.

DVA has benefited the sugar industry by rationalizing its sales and distribution system, it has kept sales and distribution costs to a minimum, and has provided for easy and timely financing of sugar stocks.

DVA has benefited the cane growers by stabilizing their income and making credit sources available; also by making available very valuable information on sugar yields, varieties, and productivity.

DVA has benefited the consumers by maintaining a plentiful and stable supply of sugar at reasonable prices.

THE VENEZUELAN SUGAR INDUSTRY

Sugar has been produced in Venezuela for 400 years, but the first mills were not installed until 1905. The industry was a small one up to the mid-1950's when both the Venezuelan Government and private capital began an intensive development of the country's sugar resources.

A Government sugar program was developed to strengthen the agricultural economy of the country, insure employment in the undeveloped areas, and pro-

vide domestically an essential food product for which large amounts of foreign exchange had been required in earlier years. Several sugar mills were built through Government financing. The Government plan was to develop these sugar mills into financially sound businesses and then make it possible for the cane farmers who supplied the mills to purchase the milling facilities. At the present time, the Venezuelan Government owns six sugar mills, the largest of which accounts for 45 percent of its total production; this mill was formerly owned by cane growers who met with financial problems causing the Government to undertake the operation of the mill.

The total investment in sugarcane farming, involving land, irrigation, farm machinery, housing, storage, and other facilities, amounts to approximately \$55 million. The working capital employed by the industry is about \$10 million. The total investment in American mill equipment is approximately \$58 million. Total investment in the sugar industry amounts to \$102 million after depreciation, the net return on investment capital being a little less than 7 percent per annum.

It is obvious that the survival of the cane sugar industry of Venezuela depends on a fair price for the sugar producers. In spite of increased productivity in the fields and the high efficiency of the mills, the basic elements of the economy of Venezuela will not permit production costs to be lowered to meet world market prices. This is due in part to the wealth created by Venezuela's petroleum resources and in part to ecological factors which are more favorable to other producing countries.

The production cost of raw sugar in Venezuela is about 6½ cents per pound. Refined sugar, which retails at 10 cents per pound, is sold at the mill for 8.3 cents per pound or about seven-tenths of a cent over the manufactured cost. This domestic price structure has permitted the growth of a modern, efficient industry and has encouraged the search for increased productivity. The surplus now being produced is the result of this increased productivity in field and mill.

Venezuela has not sought participation in the American sugar market in the past for the following reasons: (1) such surpluses as have existed in the past were due to adjustment of a rapidly growing industry to the internal demand for sugar and Venezuela was not in a position to guarantee the supply of a sizable amount of sugar over a long period of time. Now Venezuela, with her rapidly growing sugar industry, is in a position to participate in the U.S. sugar market and is ready and willing and desires to participate equitably with her Latin American neighbors and (2) the U.S. purchase price for sugar is very close to Venezuela's cost of production.

The importance of the Venezuelan sugar industry to the development of a stable agricultural base for the economy of Venezuela has been demonstrated by the following facts:

The industry employs approximately 50,000 persons in areas that would not otherwise have important economic activity.

It has been proven that sugarcane can produce the best economic return of any large volume crop suitable for Venezuelan agriculture.

The sugar industry is the most important agricultural industry of Venezuela, it contributes 1 percent of the gross national product and shows a productivity per individual employed seven times greater than any other agricultural endeavor of the country. It has been growing at a rate of 10 percent per year, whereas the economy as a whole has been growing at 6 percent yearly during the last decade.

Thus, the sugar industry creates a flow of wealth to the interior of the country, in great need of development away from the main cities which carry 93 percent of Venezuela's economic activity; hence a more balanced growth is attained and social problems are eliminated.

As a result of the increased productivity of the sugar industry, Venezuela can now count on a minimum annual surplus of 60,000 tons of sugar for the next 10 years.

LABOR-MANAGEMENT RELATIONS IN THE SUGAR INDUSTRY

Labor relations in the sugar industry have been excellent, and have produced outstanding benefits for the workers. The fine labor-management relations in the sugar industry have been an important factor in the industry's increased productivity.

The collective bargaining contract between the sugar industry and labor was signed on June 2, 1959, by the sugar mill owners and FETRACADE, a labor

organization, representing all the sugar workers' unions of the country. This contract contained many benefits in addition to those included in the basic labor law, such as—

Prizes for nonabsenteeism.

Bonuses on births of children.

Increased wages for night and overtime work.

Paid days off for death or sickness in the family.

Bonuses and paid time off when worker marries.

Payment on worker's death to his family of all sums due the worker if he had been discharged.

Payment of 19 days' wages for 15 days' vacation.

Supply of school supplies and scholarships for worker's children.

Free medical assistance and medicines for workers and their families.

In January 1962, a new contract was signed embracing the same benefits contained in the 1959 contract, plus the following benefits:

The millowners agreed to facilitate the establishment of consumers cooperatives among their employees, provide the capital, the stores and the technical assistance required for the successful operation of the cooperatives.

The millowners agreed to carry out a program to provide housing for every worker in the industry.

The factories agreed to contribute to a collective life insurance program and to a system of credit cooperatives.

The 1962 labor-management sugar contract has been an outstanding success and has been recognized by Latin American organizations as an outstanding accomplishment in the field of labor-management relations.

Since the 1962 contract went into effect, over 1,000 homes have been built in 11 communities near the sugar mills. A group insurance policy covers all home purchasers against total or partial loss of earning power and insures full homeownership against all risks.

Cooperative stores have been organized by a cooperative society which operates them on its own responsibility, with the workers buying stock according to their means, on a voluntary checkoff basis. Workers willing to invest in the co-ops may get loans from the sugar companies for as much as 90 percent of their commitments, without interest. The expansion of the sugar business has shown the need for a wholesale cooperative to centralize purchasing for all sugar mill cooperatives, which could be made available to other supermarkets in the country.

Status of the sugar worker

The average base salary of the industrial sugar worker is \$4.40 per day, that of the agricultural worker is \$3.30 per day. Fringe benefits amount to 40 percent of base industrial salary. Child labor is prohibited under Venezuelan law.

Every sugar industry worker has the option to buy a house valued at 10 times his monthly wage, up to 40 percent of the value of such housing is paid by the sugar mill owners. The balance can be financed through Government agencies for 20 years without interest. This program involves a contribution of some \$2,200,000 on the part of the millowners.

The workers of each sugar mill have the right to establish either consumers cooperatives or mutual loan funds, to be financed by interest free loans from the millowners.

The sugar worker shares in the profits of the company and may receive up to one-sixth of his salary as his share.

The worker receives free medical assistance and medicines for himself and the members of his family.

The object and result of the sugar industry labor policy is to provide stability for the industry and incentive for the worker. The sugar industry worker is now the most productive and best paid employee in Venezuelan agricultural industry.

United States-Venezuela relations

The United States and Venezuela have enjoyed friendly relations for over a century and a half. As early as the year 1824, the United States and Venezuela entered into a Treaty of Friendship, Navigation, and Commerce, and over the years both countries have entered into many commercial and reciprocal trade agreements, the latest being in 1952.

Immediately after Pearl Harbor was attacked, Venezuela declared war on Japan and Germany. Venezuela rendered many affirmative services to the United

States and the Allied cause during the war, among other things, it guaranteed the United States and the Allied Nations a continuing supply of oil, so essential to the free world and victory.

Venezuela supported, unequivocally, the position of the United States in the recent Cuban crisis.

We should like to record the late beloved President Kennedy's sentiments toward the Government and people of Venezuela on his triumphal visit to that country in December 1961: "I come to Venezuela as the first American President to make an official visit to your country. But, in a very real sense, I also came in the footsteps of another American President—Franklin Roosevelt, for it was he who understood the interdependence of my country and yours—who swept away the outmoded attitudes of the past; who looked to you for help and guidance in times of deepest danger; and who dedicated my Nation to the policy of the good neighbor.

"In 1936, President Roosevelt said, in Buenos Aires, that 'lack of social or political justice is always cause for concern. Through democratic processes, we can strive to achieve for the Americas the highest possible standard of living conditions for all our people.'

"Here in Venezuela, that principle—the achievement of social and economic justice under democracy—is being carried forward. Your distinguished President, Romulo Betancourt, is demonstrating the capacity of freemen to realize their aspirations without sacrificing liberty or dignity.

"He has reestablished democratic government after a decade of dictatorship—and he has carried forward a solid and responsible program of economic progress after a decade of false show, waste, and indifference to the needs of the people. The liberal, progressive democracy which he represents is the best hope of the Alliance for Progress.

"And so on this, my first visit to Latin America, I come to take counsel with your leaders to learn more of the problems of your country; to demonstrate the deep concern of my people for their friends to the south; and to witness the magnificent example of vital democracy which is being carried forward in Venezuela."

President Betancourt of Venezuela replied to President Kennedy as follows: "To you, Mr. President and the Secretary of State, I wish to say that I may be President of a small Latin American country with only 8 million people, but I can assure you, Mr. President, that I, as President now, and others who will follow me, will work together so that Latin America will become what you have so eloquently described. We want to work for a serious transformation of Latin America, for a change in depth of its economic and social structures. We want to benefit our people, who are under attack of Soviet propaganda that is so cunningly channeled through Havana. If we don't fulfill our task, the continent will still be poor when Castro's regime is gone; there will still be economic underdevelopment and life conditions will still be unacceptable. Those who think as I do, do not pretend and do not claim that the United States alone can solve these problems. I believe that our own efforts and our own work are extremely important, and this is actually the philosophy of the Alliance for Progress. Venezuela stands with the United States in common dedication to the Western democracies and Christian values."

President Lyndon Baines Johnson, in dedicating the Venezuelan Pavilion at the World's Fair in New York on May 9, 1964, expressed the historic, traditional, and friendly relations existing between United States and Venezuela, when he stated: "This is a real honor for me to come here today and be with my old and delightful friend, President Betancourt.

"As President of a democracy I am proud to be present at the pavilion of another great democracy whose vision and spirit have lighted not only this hemisphere but all the world and to be present here with the leader of that democracy during the time that great effort was being made.

"Under progressive leadership, Venezuela is moving vigorously and moving successfully to prove, as Franklin D. Roosevelt said, that 'democracy is the one form of society which guarantees to every new generation of men the right to imagine and to attempt to bring to pass a better world.'

"Every nation, whatever its system of government, whatever its ideological fate, must take note of President Betancourt's and Venezuela's progress in improving the general welfare of her people, in stimulating its economy, in doing that which is good for humanity.

"Mr. President and Mr. Ambassador, your country is in the vanguard of a better world. Your progress demonstrates that social reform and economic development are possible within a democratic constitutional framework and that such a framework offers the most hope to the most people, the greatest good for the greatest number.

"But I do want you to know that we are going to forge full steam ahead to build the kind of hemisphere that you and my predecessor, the late, beloved John F. Kennedy envisioned together, and we will execute it together."

Venezuela under its Presidents, Romulo Betancourt and Raul Leoni, has been irrevocably committed to the principles of free constitutional government, feeling that under this form of government man can achieve a great measure of freedom, as well as a larger measure of prosperity. These principles have often been enunciated by the present Venezuelan Ambassador to the United States, Enrique Tejera-Paris.

This philosophy of government was eloquently expressed recently by President Leoni, when he said: "We are thus building the foundations of a democracy which is conscious of its social mission. We place emphasis on the social content of our regime because without it all efforts to achieve dynamic change would be in vain. And in spite of the threats posed and the aggression to which we are subjected, all Venezuelans, civilian or military, entrepreneur or worker, university student or technician, are without loss of liberty realizing the fruits of revolutionary change. Though we may have made a late entrance into the 20th century, we now live in the serene conviction that we will arrive on time at the threshold of the 21st."

Government of Venezuela

The Venezuelan Government is a free constitutional democratic form of government, patterned after the U.S. Government, divided into three branches, the executive, legislative, and judicial.

The President is elected by the people for a period of 5 years and cannot seek reelection until 10 years subsequent to the end of his term of office.

The President appoints his own Cabinet Ministers, 13 in number, who head the executive departments; acting jointly, they comprise the Council of Ministers.

The Venezuelan Congress consists of a Senate and a Chamber of Deputies elected by the people for a term of 5 years. Congress is required to meet twice a year. All legislation must be passed by both Houses of Congress; any differences between the two Houses are resolved by a majority vote of the Houses in joint session.

The judicial branch of the government is vested in a supreme court of justice composed of 15 justices and various lower courts. Justices of the supreme court are elected by Congress in joint session for 9-year terms, one-third being renewed every 3 years. The supreme court has the power to declare any executive or legislative act unconstitutional. In 1963 the court handed down a landmark decision outlawing the Communist Party.

The Venezuelan Constitution contains safeguards relating to individual and collective duties, rights, and guarantees of all the people.

Venezuela is a member of the following organizations: (1) United Nations, (2) Organization of American States, (3) Alliance for Progress, (4) International Bank for Reconstruction and Development, (5) International Monetary Fund, (6) International Finance Corporation, (7) Inter-American Development Bank, (8) Organization of Petroleum Exporting Countries, (9) International Labor Organization, and (10) International Civil Aviation Organization.

Area and population

Venezuela is the seventh largest country in Latin America, with an area of 352,000 square miles, having a coastline of 1,750 miles on the Caribbean Sea and Atlantic Ocean and is bounded on the west by Columbia, on the south by Brazil and on the east by British Guiana.

Venezuela's population at the end of 1964 was 8,573,000. The population has increased at an estimated average annual rate of 3.9 percent during the years 1950 through 1964. In spite of this rate of population increase, the average population density is only about 24 persons per square mile. Population distribution has been significantly influenced by climate, geography, and economic development. About 88 percent of the population is concentrated in the Andes Highlands, the northern coastal mountain range, and the Maracaibo Basin, which comprise about 19 percent of the land area of the country.

Urban population has increased at a greater rate than the population as a whole. The population of Metropolitan Caracas, according to the 1961 census, was 1,336,119 and was estimated to be 1,632,000 at the end of 1964. The next three largest cities and their estimated populations at the end of 1964 are: Maracaibo, 516,000; Barquisimeto, 232,000; and Valencia, 187,000.

Venezuela's economy

Since the end of World War II, Venezuela has had one of the world's fastest growing economies. During the years 1950 through 1964, gross national product, expressed in constant prices, increased 134 percent, an average annual increase of 6.7 percent. During the same period, population increased 65 percent, an average annual increase of 3.9 percent. In spite of this growth in population, average per capita gross domestic product increased 42 percent, an average annual increase of 2.8 percent. During the years 1954 through 1963, the manufacturing index increased at an average annual rate of 17.4 percent. Transportation facilities have been greatly improved, particularly the highway network.

Industry in Venezuela is predominantly privately owned and operated.

During the period of Venezuela's political transition in the late 1950's and the end of the petroleum boom following the settlement of the Suez crisis, there was a general contraction of business activity in Venezuela, which was accompanied by substantial capital outflows, budget deficits, and loss of foreign exchange reserves. Various measures were taken to check the loss of reserves and restore balance of payments and fiscal equilibrium; business activity started to increase in 1962, further increasing in 1963 and 1964. In terms of constant prices, preliminary estimates for 1964 indicate increases over 1963 of 7 percent in gross national product, 4.5 percent in petroleum production, 17 percent in manufacturing, 7 percent in agricultural production, and 15 percent in construction.

Venezuela has the highest per capita gross national product in Latin America, a rapidly growing economy and an expanding middle class. During the years 1950 through 1964, gross national product at constant prices increased at an average annual rate of 6.7 percent, compared to corresponding population increases of 3.9 percent, which resulted in substantial improvement in the standard of living. In recent years, the growth of the manufacturing sector has been faster than that of the petroleum industry, reflecting the Government's policy of encouraging diversification of the economy. This growth has been accompanied by relatively stable price levels. Budget surpluses have been recorded in each of the last 3 years.

While encouraging agrarian reform, the Venezuelan Government has started an ambitious and vast industrialization plan designed to transform an oil economy into a modern diversified economy. To meet the challenge of the explosive population increase, 400,000 new jobs must be created in the next 4 years, most of them to provide a living for the 80,000 workers that annually join the labor market. Following a traditional pattern, leading American corporations doing business in Venezuela cooperate with Venezuela's private and official institutions in creating employment. One of the paradoxes of Venezuela's economy is that the petroleum industry, which produces over 70 percent of the Government's income and contributes approximately one-fifth of the gross national product, employs about 37,000 workers or 1.3 percent of the working population because of the advanced technology in this field. Although petroleum will continue to be a principal part of the country's economy in the future, continuing efforts are being made to see that the agricultural and industrial sectors develop their own capacity to contribute to the diversification of the economy. This obviously will have a multiple effect on the entire Venezuelan economy. Meanwhile, the high purchasing power of the currency and the lack of restrictions against the importation of capital have caused a concentration of capital in nonproductive activities, which aggravates the employment problem. Because of this, the creation of new sources of work—for example, development of the sugar industry—is, and will continue to be, a central objective.

Venezuela's petroleum industry

For the past 40 years the petroleum industry has been the cornerstone of Venezuela's economy. This industry has not only provided the principal source of Government revenues and foreign exchange receipts but has also stimulated, both directly and indirectly, extensive economic, industrial, and social changes. The growth of manufacturing industries and of an expanding middle class is due, to a considerable extent, to the continuing stimulus provided to Venezuela's economy by the petroleum industry. In 1963, the petroleum industry accounted for about 29.9 percent of gross national product, 52.6 percent of Government revenues, and 93.3 percent of exports. In 1963, the industry accounted for 1.3 percent of the employed labor force, but contributed about 9 percent of total wages and salaries.

Venezuela is the third largest petroleum producer in the world, accounting for 12.1 percent of total world output in 1964, outranked only by the United States and the Soviet Union, which accounted, respectively, for 29 and 15.5 percent of total 1964 world production. Venezuela has been the world's largest petroleum exporting country during the last three decades, accounting for 26.7 percent of total world net exports of crude oil and refined products in 1964.

Three major petroliferous basins are in production in Venezuela: the Maracaibo Basin, the largest oil field in the Western Hemisphere; the Eastern Basin in the northeastern part of Venezuela; and the Apure-Barinas Basin, southeast of Lake Maracaibo, which entered production in 1948. During the years 1953 through 1963, proved petroleum reserves have fluctuated between a high of 17.7 years of production in 1958 and a low of 14.4 years in 1962 and 1963. At the end of 1963, proved reserves in existing fields amounted to 17 billion barrels, but additional recoverable reserves in these fields have been estimated to be at least equal to this amount. In addition, there exist other potential areas, such as the area of very heavy crude deposits north of the Orinoco River and those in the Gulf of Venezuela and in the southern part of Lake Maracaibo.

Venezuela's petroleum industry is composed of 50 companies, the majority representing American capital, 16 companies operate producing concessions and the balance have individual or joint interests in nonproducing concessions or concessions operated by others. The major companies operating producing concessions together with their respective percentages of total 1964 crude production are as follows: Creole Petroleum Corp., a subsidiary of Standard Oil Co. (New Jersey), 39 percent; Cia. Shell de Venezuela, Ltd., a subsidiary of the Royal Dutch-Shell Group, 28 percent; and Mene Grande Oil Co., a subsidiary of the Gulf Oil Corp., 12 percent. In addition, subsidiaries of each of the following oil companies accounted for 2 percent or more of total petroleum production: San Oil Co., Socony Mobil Oil Co., Inc., Texaco, Inc., Phillips Petroleum Co., and Standard Oil Co., of California.

Petroleum production and export statistics

(Thousands of barrels)

Year	Crude petroleum production	Percent-age change over preceding year	Crude runs to still	Exports ¹			Domestic demand ²
				Crude oil	Refined products	Total	
1953	644,223	-2.4	150,693	488,862	117,618	606,480	27,256
1954	691,788	+7.4	161,853	528,634	126,250	654,884	32,825
1955	787,384	+13.8	195,866	590,816	147,812	738,628	38,812
1956	899,183	+14.2	288,259	675,270	170,951	846,221	45,169
1957	1,014,424	+12.8	251,322	758,775	181,536	940,311	51,721
1958	950,767	-6.3	267,105	687,725	201,855	889,580	47,879
1959	1,011,419	+6.4	300,776	719,835	221,033	940,868	49,047
1960	1,041,675	+3.0	322,915	730,962	251,747	982,709	46,683
1961	1,065,767	+2.3	338,729	743,711	265,300	1,009,011	46,467
1962	1,167,916	+9.6	374,288	810,485	291,274	1,101,759	48,834
1963	1,185,511	+1.5	380,306	818,325	303,537	1,121,862	49,175
1964	1,241,782	+4.7	399,660	860,063	315,422	1,175,485	53,211

¹ Direct exports.² Domestic demand for refined products, including bunker fuels.

The rate of increase in Venezuela's crude oil production has reflected changes in demand in world markets and competition from other export centers. During the years 1955 through 1957, Venezuelan oil output increased at exceptionally high annual rates due to the surge in world demand for Venezuelan petroleum, created in part by the Suez crisis. Although production decreased in 1958, it has increased at an average annual rate of 4.6 percent since 1958. Annual production increases, however, have fluctuated widely from year to year.

Petroleum markets

Venezuela's share of world oil exports has declined in recent years as production in the Middle East has increased and exports have come into the market from new areas, principally the Soviet Union and North Africa. In spite of a 77-percent increase in Venezuelan oil exports from 1953 through 1963, Venezuela's share of total net world oil exports decreased from 46.9 to 26.3 percent, while the Middle East's share increased from 44.7 to 54.1 percent. The Soviet Union and North Africa, which had virtually no oil exports in 1953, accounted for 6.1 and 8 percent, respectively, of total world net exports in 1963. Venezuelan oil is generally at a competitive cost disadvantage as compared to Middle Eastern and North African oil because taxes, wages, and other costs are higher in Venezuela. On the other hand, since Venezuelan crude oils are characterized by high gravity as compared with the lower gravity of the Middle Eastern and North African crudes, a factor favorable to Venezuela, is the growing demand in the United States and Europe for imported heavy crude and fuel oils. Another favorable factor is the desire of the international producers to maintain diversified sources of supply. The Government has sought to discourage exports which are not consistent with its policy of maintaining adequate price levels for Venezuelan oil in world markets.

The principal markets for Venezuelan petroleum exports are shown in the following table:

Exports and destination of crude oil and refined products¹

	1953		1955		1957		1959		1961		1963		Percentage change 1953-63
	Thousands of barrels	Per-centage	Thousands of barrels	Per-centage	Thousands of barrels	Per-centage	Thousands of barrels	Per-centage	Thousands of barrels	Per-centage	Thousands of barrels	Per-centage	
United States-----	238,802	38.7	299,157	40.0	391,172	42.2	403,836	44.1	420,243	43.0	449,606	41.3	+88
Canada-----	63,658	10.3	82,578	11.0	97,876	10.6	97,804	10.7	101,221	10.4	111,316	10.2	+75
European Economic Community-----	37,853	61.	62,844	8.4	81,006	8.7	58,681	6.4	86,336	8.8	123,566	11.3	+226
Other European countries-----	66,572	10.8	94,524	12.6	129,357	14.0	116,814	12.7	144,417	14.8	172,717	15.9	+159
Central America-----	45,344	7.4	55,521	7.4	85,752	9.2	108,158	11.8	60,805	6.2	95,109	8.7	+110
South America-----	90,362	14.7	97,261	14.0	103,034	11.1	102,874	11.2	122,208	12.5	97,805	9.0	+8
Others-----	74,281	12.0	55,809	7.6	39,307	4.2	28,610	3.1	41,475	4.3	39,631	3.6	-47
Total-----	616,872	100.0	747,694	100.0	927,504	100.0	916,777	100.0	976,705	100.0	1,089,750	100.0	77

¹Includes exports from Aruba and Curacao and eliminates exports from Venezuela to Aruba and Curacao. Substantially all crude oil refined in those islands is imported from Venezuela.

As shown in the table, the United States, particularly the eastern seaboard, is the principal export market for Venezuelan crude oil and refined products accounting for 41 percent of Venezuelan exports in 1963. Exports of Venezuelan petroleum to the United States have been affected by the introduction of mandatory controls on oil imports by the United States in March 1959. Even though Venezuela's exports to the United States increased by 88 percent from 1953 through 1963, Venezuela's share of the total U.S. imports declined from 63 percent in 1953 to 57 percent in 1963. Crude oil represented 41 percent and fuel oil 48 percent of total Venezuelan oil exports to the United States in 1963. Venezuelan exports to Europe increased by 184 percent from 1953 through 1963 and the European countries took 27 percent of total Venezuelan exports in 1963 as compared with 17 percent in 1953. However, Venezuela's share of the European Economic Community imports declined from 12 to 10 percent in that period as competition increased from Middle Eastern, North African, and Soviet crudes. Crude oil represented 51 percent and fuel oil 16 percent of total Venezuelan oil exports to Europe in 1963. Canada's share of Venezuelan petroleum exports remained relatively constant at approximately 10.5 percent during the years 1953 through 1963. The decline in the percentage of total Venezuelan exports taken by the South American market has been due in large part to the increasing self-sufficiency in petroleum of Argentina and to purchases by Brazil and Uruguay from other exporting countries.

Refining

Refining capacity in Venezuela increased from 444,970 barrels per stream day in 1953, to 883,000 barrels in 1958, and to 1,127,400 barrels in 1963. Of the 381 million barrels of products refined in 1963, 56 percent was accounted for by fuel oil, 21 percent by diesel and gas oil, 13 percent by gasoline and naptha and the balance by kerosene, asphalt, lubricants, and other products. In 1963, approximately 32 percent of Venezuela's crude oil production was refined in the country. Most of the refined products were exported because the Venezuelan market consumed only 13 percent of production. At the end of 1963, there were 2,178 miles of trunk pipelines and 1,675 miles of secondary pipelines which were used principally to transport crude oil and refined products to export terminals on the coast.

Investment

In 1963, the oil industry's net accumulated investment in fixed assets in Venezuela amounted to 7,922 million barrels compared with a high of 10,375 million barrels in 1959, and 5,460 million barrels in 1953. As a result of the grant of oil concessions in 1956 and 1957, and of the increase in demand for Venezuelan petroleum during the Suez crisis, there was an unusual increase in new investment in the years 1956 through 1959, which was followed by a sharp decline in the years 1959 through 1962. New investment increased by an estimated 6 percent in 1963, and an estimated 25 percent in 1964. Programs for 1965 presented by the industry to the Government indicate a further increase in new investment over the 1964 level of investment. A summary of the investment of the industry is shown in the following table:

Venezuelan petroleum industry—Current and accumulated investment in fixed assets

[Millions of bolivars]

	1953	1954	1955	1956	1957	1958	1959	1960	1961 ¹	1962 ¹	1963 ¹
Gross accumulated investment.....	9,873	10,212	10,937	13,038	15,828	17,218	18,803	18,987	19,155	19,253	19,183
Net accumulated investment.....	5,460	5,534	5,649	7,023	9,002	9,652	10,375	9,771	9,140	8,505	7,922
New investment ²	901	923	928	1,160	1,822	1,788	1,262	730	516	474	503
Depreciation and amortization.....	558	613	680	732	812	836	939	948	929	911	872

¹ Excluding revaluation of fixed assets.

² Data for 1956 and 1957 does not include payments for new concessions, which amounted to Bs1,046,000,000 in 1956 and Bs1,042,000,000 in 1957.

Exploration activity has declined sharply since 1958. The number of crew-months spent in geological and geophysical activities decreased from 409 in 1958, to 38 in 1963, and to a low of 24 in 1964. At the end of 1964, a group of nine major oil companies undertook an extensive seismic survey of an area of 1,260,200 acres in the southern part of Lake Maracaibo and in the Gulf of Venezuela, which was the largest area covered by geophysical studies in Venezuela since 1959. The number of new exploratory wells completed also decreased from 168 in 1958 to a low of 54 in 1963. In 1964, however, the number of exploratory wells increased to 61. In recent years additional emphasis has been placed on investments in secondary recovery projects which have resulted in increases in proved reserves and the storage of natural gas through reinjection. An estimated 2.2 billion barrels were added to proved reserves through secondary recovery projects in the decade ending in 1963. In 1964, over 420 million barrels were added to reserves by both gas and water injection methods. At present there are two major secondary recovery plants under construction at a total cost of Bs130 million.

Concessions

In accordance with the hydrocarbons law of 1943, concessions presently covering 7,443,540 acres were granted or renewed for a period of 40 years expiring in 1983 and 1984. New concessions granted in 1956 and 1957, which presently cover 571,007 acres, will expire in 1996 and 1997. In 1960, the Government announced that no further oil concessions would be granted to private companies. In 1962, the Government proposed a new system of "service contracts" under which foreign companies would engage in development activities for the Venezuelan Petroleum Corp., an autonomous Government institution. Several companies have expressed interest in considering possible new arrangements with the Government with respect to new areas.

Financial summary

There is set forth below a financial summary, including taxes payable to the Government and return on invested capital, for the petroleum industry for the years 1953 through 1963:

Financial summary of the petroleum industry, 1953-63

[Amounts in millions of bolivars]

	1953	1954	1955	1956	1957	1958 ¹	1959	1960	1961	1962	1963
Total income.....	4,892	5,337	5,875	6,829	8,463	7,662	7,289	7,287	7,477	7,915	7,902
Net profit after taxes.....	1,261	1,412	1,710	2,115	2,774	1,616	1,335	1,282	1,477	1,693	1,677
As a percentage of											
Total income.....	25.8	26.5	29.1	31.0	32.8	21.1	18.3	17.6	19.8	21.4	21.2
Return on invested capital.....	18.9	20.5	24.8	29.0	31.9	16.8	13.1	12.1	² 14.5	² 17.8	² 19.2
Taxes:											
Income taxes.....	507	585	712	931	1,199	1,465	1,260	1,070	1,216	1,462	1,546
Royalties.....	786	874	1,003	1,188	1,550	1,415	1,444	1,503	1,553	1,703	1,731
Other.....	209	117	126	162	241	186	156	138	130	143	142
Total.....	1,502	1,576	1,841	2,281	2,990	3,066	2,860	2,711	2,899	3,308	3,419
Taxes as a percentage of net profits before taxes.....	54	53	52	52	52	65	68	68	66	66	67

¹ In 1958, the maximum income tax rate was increased from 28.5 to 47.5 percent.

² Excluding revaluation of fixed assets.

The Government's share of profits from the industry increased sharply commencing in 1958 as income tax rates were increased in that year. The Government's share of profits before taxes averaged 52.6 percent during the years 1953 through 1957, and 66.7 percent during the years 1958 through 1963. In 1963, the oil industry had a 19.2-percent rate of return on invested capital. Government revenues from the oil industry are derived principally from the following taxes: (a) An income tax levied on profits at a progressive rate, the maximum rate being 47.5 percent on profits exceeding Bs28 million; (b) a royalty based upon a percent of production (generally 16½ percent or the value thereof based on a formula related to Texas posted prices; (c) import duties; and (d) surface taxes and other miscellaneous Federal and local taxes. Texas posted prices in recent years have been substantially higher than prices actually realized by the oil companies. As a result of the change in exchange rates in

January 1964, the exchange profits realized by the Government in connection with exchange transactions with the oil companies have been virtually eliminated. On the other hand, since taxable income will be reported and royalties paid on the basis of the new exchange rate, the increase in Government receipts from these sources are expected to more than offset the loss of revenues from foreign exchange transactions.

Venezuelan Petroleum Corp.

In April 1960, the Government established the Venezuelan Petroleum Corp. (Corporacion Venezolana del Petroleo—"CVP") as an autonomous institution to engage in all aspects of production, refining, and distribution. CVP has petroleum areas assigned to it which presently amount to 672,033 acres. By the end of 1964, CVP had 15 producing oil wells. CVP produced 2.3 million barrels of crude oil in 1964, and had net investments of Bs 157.5 million at the end of the year. In December 1964, the Government announced plans for CVP, which presently serves approximately 3 percent of the Venezuelan gasoline retail market, to obtain one-third of the Venezuelan retail market for all refined petroleum products by the end of 1968. A program for the allocation of new outlets was announced as well as plans to transfer to CVP certain existing outlets presently distributing products of the private oil companies.

Venezuelan iron ore exports

[Metric tons]

Country	1963	1964	Total increase	1964 distribution percent
United States ¹	9,328,399	10,138,310	809,911	68.07
Germany.....	1,044,117	2,149,468	1,105,351	14.43
Britain.....	1,383,746	1,685,785	302,039	11.32
Italy.....	597,439	885,294	287,855	5.95
Holland.....	0	34,542	34,542	.23
Total.....	12,353,701	14,893,399	2,539,698	100.00

¹ Venezuela supplies 68.07 percent of its iron ore to the United States.

Venezuelan iron ore exports totaled 14,893,399 metric tons in 1964, compared with 12,353,701 metric tons exported in 1963.

Venezuela's foreign trade

Foreign trade plays a vital role in the Venezuelan economy. For the 5 years ending December 31, 1963, exports and imports accounted for about 31 and 16 percent, respectively, of gross national product. Since 1926, Venezuela has had a surplus of exports over imports. During the years 1959 through 1963, exports averaged 186 percent of imports. While exports of \$2,533 million in 1963 were slightly above the 1958 level of exports, imports (c.i.f.) decreased by 33.2 percent to \$1,122.3 million in 1963.

Petroleum and petroleum derivatives accounted for an annual average of 92.4 percent of total exports during the years 1959 through 1963. The composition of imports has been changing, reflecting the growing self-sufficiency and diversification of the economy. The proportion of consumer goods to total imports has been decreasing while that of capital goods and raw materials has been increasing.

The following table indicates the total value of commodity exports and imports for the years 1959 to 1964:

Balance of trade

[Millions of dollars]

	Exports (f.o.b.)	Imports (c.i.f.)	Balance-of-trade surplus	Exports as percent of imports
1959.....	\$2,326.3	\$1,689.9	\$636.4	137.7
1960.....	2,392.7	1,273.6	1,119.1	187.9
1961.....	2,452.0	1,229.6	1,222.4	199.4
1962.....	2,533.1	1,265.6	1,267.5	200.2
1963.....	2,533.0	1,122.3	1,410.7	225.7
1964 (9 months) ¹	1,837.2	826.7	1,010.5	222.2

¹ Preliminary.

The following table shows the volume and prices of exports and imports, and Venezuela's terms of trade (i.e., the relationship of the prices of exported articles to the prices of imported articles), for the years indicated:

Terms of trade

[1948=100]

	Exports		Imports		Terms of trade
	Volume	Price	Volume	Price	
1959.....	211.9	102.9	148.5	137.3	75.0
1960.....	222.3	103.5	114.4	134.1	77.2
1961.....	224.2	99.1	105.8	143.8	68.9
1962.....	242.6	96.4	105.0	159.2	60.6
1963.....	246.0	96.1	101.4	155.7	61.7

Geographic distribution of foreign trade

[In percent]

	1959		1961		1963	
	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from
United States.....	49.5	53.2	46.5	54.9	39.9	54.6
Canada.....	4.4	3.3	4.9	4.2	10.1	5.0
Other Western Hemisphere countries:						
LAFTA countries.....	9.7	1.4	8.6	1.6	5.1	2.9
Other.....	9.6	.2	7.9	.7	10.3	.6
Europe:						
European economic community.....	6.3	23.4	8.2	21.5	11.7	19.2
Other.....	11.9	13.1	13.2	13.1	14.8	13.2
All others.....	8.6	5.4	10.7	4.0	8.1	4.5
Total.....	100	100	100	100	100	100

The above table shows that while the export percentage to the United States declined considerably, the percentage of imports has remained constant and, in fact, has increased slightly.

Some of the U.S. exportable items to Venezuela over the years are as follows: Live animals; meat; milk and cream; eggs; wheat, unmilled wheat, and unmilled corn; cereals; fruits; vegetables; sugar preparations; fodder oilseeds; rubber; paper; pulp and waste paper; cotton; mineral fuels and lubricants; animal and vegetable oils and fats; chemicals; paper; textiles; mineral manufactures glassware; iron and steel products; copper; aluminum; power-generating machinery; agricultural machinery; tools and implements; industrial machinery and equipment; aircraft; furniture; clothing; scientific, medical, optical measuring and controlling instruments and apparatus; photographic supplies; musical instruments; perambulators, toys, games, and sporting goods; office and stationery supplies.

U.S. exports to Venezuela, by commodity sections and principal commodity groups, 1959-64

Nomenclature and description	1959	1960	1961	1962	1963	1964
Exports, including reexports, total.....	\$738,851,000	\$551,218,000	\$515,662,000	\$470,613,000	\$507,091,000	\$596,949,338
Reexports.....	2,219,000	2,803,000	2,353	4,818,000	2,777,000	2,553,986
Domestic exports, total.....	736,631,665	548,414,828	513,308,888	465,797,057	504,314,000	599,503,324
Sec. 0. Food and live animals.....	85,492,692	86,167,144	78,437,486	56,349,393	55,385,000	66,755,235
Live animals, not elsewhere specified.....	2,357,191	2,112,268	1,082,128	1,142,273	2,935,000	2,126,711
Milk and cream.....	12,277,866	13,156,502	8,284,192	4,949,261	4,249,000	3,730,426
Eggs.....	5,708,132	7,955,246	6,396,387	3,807,572	3,527,000	2,547,513
Wheat, unmilled.....	13,268,455	15,261,036	19,090,930	11,900,330	13,469,000	19,593,212
Wheat, flour.....	2,072,453	3,376,915	140,696	303,149	389,319	438,501
Cereal, prepared.....	11,360,957	11,895,093	11,494,421	8,864,919	6,411,000	6,597,765
Fruit, fresh, and nuts.....	5,323,511	5,691,917	4,008,401	4,050,887	4,167,000	5,027,592
Fruit, preserved, and fruit preparation.....	6,142,987	4,900,548	4,461,935	2,934,986	2,687,000	2,269,612
Vegetables, fresh, frozen or preserved.....	4,234,657	3,493,752	4,880,985	4,440,664	5,607,000	5,101,139
Vegetables, preserved or prepared.....	2,454,799	2,066,160	1,624,551	1,158,985	1,216,855	1,080,364
Sugar, confectionary and other sugar preparations.....	2,836,650	3,991,034	3,244,324	3,156,928	2,306,000	1,848,277
Sec. 1. Beverages and tobacco.....	11,190,403	3,737,974	1,846,037	1,339,479	223,000	289,926
Tobacco, unmanufactured.....	332,230	1,486,176	682,522	760,722	142,000	171,306
Tobacco, manufactured.....	10,714,900	2,205,303	1,079,478	549,001	17,733,000	37,452
Sec. 2. Crude materials, inedible, except fuels.....	10,752,366	10,522,996	16,735,394	16,363,611	17,733,000	21,887,064
Oilseeds, oil nuts, and oil kernels.....	696,655	744,271	1,489,167	1,600,179	1,481,000	3,286,505
Rubber, crude, including synthetic.....	2,613,162	3,030,842	3,449,063	3,704,900	3,097,000	3,926,259
Paper pulp and waste paper.....	1,997,477	2,191,762	4,021,806	4,606,754	5,718,000	7,703,132
Synthetic and regenerated fibers.....	267,918	685,121	703,569	1,050,784	555,000	821,508
Sec. 3. Mineral fuels, lubricants and related materials.....	8,524,322	6,633,067	4,617,037	3,790,624	2,903,000	3,400,229
Petroleum products.....	8,505,919	6,634,866	4,463,914	3,766,568	2,385,000	3,025,376
Sec. 4. Animal and vegetable oils and fats.....	2,080,240	2,479,663	4,563,330	3,933,126	4,281,000	6,716,751
Animal and vegetable oils and fats, processed, waxes of animal or vegetable origin.....	1,023,559	1,708,566	2,771,191	2,636,127	2,902,000	1,755,279
Sec. 5. Chemicals.....	60,448,969	52,040,213	54,786,335	52,186,742	47,624,000	61,943,030
Organic chemicals.....	1,649,441	1,827,556	2,518,725	2,886,740	2,087,000	3,065,771
Inorganic chemicals: elements, oxides, halogen salts.....	2,674,502	2,251,083	2,529,404	2,260,810	1,706,000	2,312,434
Other inorganic chemicals.....	2,326,394	2,049,032	2,883,571	2,853,085	2,209,000	2,826,705
Pigments, paints, varnishes.....	2,605,352	1,817,658	1,998,190	1,959,444	1,589,000	2,197,196
Medicinal and pharmaceutical products.....	20,092,397	17,564,865	17,670,167	12,705,293	10,552,000	9,747,319
Essential oils, perfume, flavor materials.....	2,873,424	2,715,702	2,905,517	3,043,061	3,050,014	3,574,498
Soaps, cleansing, polishing preparations.....	2,171,919	2,061,208	1,964,914	2,093,863	1,741,000	1,985,568
Fertilizers, manufacture.....	1,014,728	1,070,721	808,515	1,083,539	678,007	612,065
Sec. 6. Manufactured goods.....	6,718,787	4,454,309	5,434,107	5,451,173	5,602,000	10,026,200
Plastic materials, regenerated cellulose, artificial resins.....	105,045,075	100,980,443	99,391,708	94,022,083	105,271,000	101,975,617
Articles of rubber, not elsewhere specified.....	5,393,216	4,232,818	3,906,672	4,292,079	3,851,731	4,289,042
Paper and paperboard.....	15,413,908	13,475,007	15,364,571	14,385,743	11,713,000	11,706,843
Articles of paper pulp, paperboard.....	7,711,316	4,406,043	2,592,632	2,764,343	2,820,269	3,286,371
Textile yarn and thread.....	7,540,179	6,615,839	8,065,693	8,315,232	6,825,000	9,456,596
Cotton fabrics, woven.....	6,673,393	4,287,602	5,556,132	3,740,421	2,975,000	4,075,950
Textile fabrics, woven, other than cotton fabrics.....	3,426,422	2,253,411	3,586,656	1,956,749	2,954,000	4,180,070
Special textile fabrics, related products.....	2,598,000	1,809,040	3,159,458	1,739,155	1,776,067	2,005,402
Made-up articles, of textile materials.....	4,058,019	2,652,923	3,917,918	2,426,831	2,370,000	2,564,974

Mineral manufactures, not elsewhere specified.....	2, 176, 859	2, 187, 648	2, 534, 201	3, 449, 441	3, 745, 280
Glassware.....	5, 572, 576	4, 541, 496	3, 696, 104	3, 335, 516	4, 118, 360
Iron and steel mill products.....	37, 019, 342	22, 542, 889	19, 360, 041	31, 172, 000	18, 990, 857
Copper.....	1, 767, 618	2, 131, 416	3, 036, 271	2, 348, 000	1, 698, 460
Aluminum.....	1, 465, 450	1, 124, 713	1, 123, 845	1, 345, 000	1, 807, 527
Finished structural parts and structures.....	2, 493, 676	1, 786, 289	1, 110, 052	3, 392, 956	2, 147, 176
Metal containers for storage and transportation.....	3, 959, 253	3, 269, 380	2, 940, 286	2, 663, 581	3, 432, 230
Tools for use in machines or hand.....	6, 209, 974	4, 073, 039	4, 339, 726	5, 005, 000	5, 705, 330
Household equipment of base metals.....	6, 677, 031	5, 479, 805	4, 900, 432	3, 562, 000	2, 211, 527
Manufactures of metal, not elsewhere specified.....	9, 115, 937	6, 677, 031	5, 172, 270	5, 412, 357	6, 433, 821
Machinery and transportation equipment.....	9, 940, 505	5, 254, 891	199, 871, 380	283, 325, 208	283, 325, 208
Power generating machinery, other than electric.....	343, 024, 596	240, 080, 369	12, 735, 725	13, 955, 000	16, 553, 549
Agricultural machinery, implements.....	21, 235, 669	11, 528, 782	10, 865, 937	12, 808, 000	19, 077, 945
Office machines.....	18, 915, 124	11, 642, 472	9, 676, 734	2, 105, 000	3, 687, 650
Metalworking machinery.....	3, 345, 735	2, 438, 653	5, 644, 590	4, 161, 000	4, 184, 900
Textile and leather machinery.....	9, 048, 639	1, 892, 962	2, 779, 524	5, 661, 021	7, 680, 631
Machinery for special industries.....	4, 862, 706	4, 778, 692	4, 156, 519	19, 356, 000	27, 041, 549
Machinery, appliances (other than electrical), machine parts, not elsewhere specified.....	27, 148, 087	19, 461, 355	14, 469, 570	60, 375, 000	69, 195, 634
Electric power machinery and switchgear.....	74, 528, 840	56, 335, 304	48, 713, 300	6, 712, 000	12, 040, 815
Equipment for distributing electricity.....	22, 258, 025	14, 535, 675	8, 634, 377	1, 212, 704	1, 385, 923
Telecommunications apparatus.....	3, 892, 309	2, 385, 501	2, 393, 577	8, 663, 000	13, 004, 671
Domestic electrical equipment.....	9, 306, 277	7, 074, 828	8, 391, 646	9, 060, 000	10, 443, 319
Other electrical machinery, apparatus.....	17, 955, 015	12, 694, 921	12, 549, 051	10, 873, 000	13, 546, 593
Road motor vehicles.....	14, 156, 875	11, 426, 574	62, 925, 819	66, 575, 000	78, 675, 810
Aircraft.....	101, 119, 453	61, 325, 755	55, 158, 924	7, 140, 000	2, 969, 092
Sec. 8. Miscellaneous manufactured articles.....	1, 890, 662	1, 762, 341	2, 067, 843	31, 171, 000	39, 875, 160
Sanitary, plumbing, heating, lighting fixtures and fittings.....	56, 059, 896	38, 977, 679	31, 516, 451	3, 072, 337	3, 467, 458
Clothing (except fur clothing).....	6, 139, 149	3, 778, 096	2, 581, 648	1, 571, 397	1, 584, 463
Furniture.....	5, 187, 477	3, 226, 495	1, 957, 675	1, 125, 559	1, 488, 909
Scientific, medical, optical, measuring, controlling instruments, apparatus.....	3, 895, 321	3, 214, 593	1, 065, 762	5, 016, 000	6, 471, 570
Photographic and cinematographic supplies.....	8, 100, 126	5, 164, 183	4, 527, 359	2, 167, 000	2, 351, 251
Musical instruments, sound recorders, reproducers, parts and accessories.....	2, 622, 296	2, 195, 121	2, 142, 275	2, 415, 000	3, 160, 844
Printed matter.....	6, 651, 047	3, 282, 585	2, 469, 094	2, 051, 000	2, 599, 193
Articles of artificial plastic materials.....	3, 683, 276	2, 633, 077	1, 957, 299	1, 652, 295	2, 613, 199
Perambulators, toys, games, and sporting goods.....	2, 966, 458	2, 702, 189	1, 625, 382	4, 936, 312	2, 615, 674
Office and stationery supplies, not elsewhere specified.....	5, 149, 760	4, 244, 534	3, 834, 958	3, 006, 594	2, 391, 246
Manufactured articles, not elsewhere specified.....	3, 334, 571	2, 786, 860	2, 544, 658	5, 363, 193	10, 801, 118
Sec. 9. Commodities and transactions not classified according to kind.....	5, 013, 399	4, 378, 969	5, 424, 168	8, 920, 000	10, 801, 118
Special shipments.....	9, 013, 046	6, 748, 275	5, 926, 531	8, 920, 000	10, 801, 118

Venezuela's balance of payments

Prior to 1958, Venezuela generally had a favorable balance of payments and it accumulated large foreign exchange reserves. During the years 1958, 1959, and 1960, however, there were substantial balance-of-payments deficits. The end of the petroleum boom after the settlement of the Suez crisis, together with political uncertainties and budgetary difficulties inherited from the Perez Jimenez regime, led to a loss of confidence and a reduction in Government investment expenditures which resulted in a general contraction of business activity, substantial capital outflow, and loss of foreign exchange reserves. The situation was aggravated by the existence of a large amount of short- and medium-term obligations that had been incurred by the dictatorship, and which the new democratic government was determined to pay as soon as possible. Various measures were taken to check the loss of foreign exchange reserves and to restore balance of payments and budgetary equilibrium. Import quotas and higher duties on certain goods were established in 1959, and exchange controls were imposed in 1960. As a result of these measures and the increasing self-sufficiency in food-stuffs and manufactured products, imports dropped by 33 percent from 1958 to 1963. The overall balance-of-payments deficit was sharply reduced in 1961 and 1962, and surpluses of \$156 million and \$96 million were achieved in 1963 and 1964, respectively. The public debt was greatly reduced and foreign exchange reserves of the Central Bank, which had dropped to \$571 million at the end of 1961, increased to \$825 million at the end of 1964.

Education and public health

Significant advances have been made in the field of education. From 1957 through 1964, total student enrollment increased from about 845,000 to about 1,702,000, the number of schools from 7,142 to 14,504, and the number of teachers from 27,757 to 59,419. Education in public schools is free and approximately 77 percent of the children of school age are enrolled. The National Institute for Educational Cooperation, which provides technical education to adults and adolescents, has trained about 95,000 workers since 1961. Illiteracy of the population over 14 years of age decreased from an estimated 40 percent in 1957 to 20 percent in 1964. Expenditures for education represented 12.1 percent of Government expenditures in 1964. There are 7 universities in Venezuela, of which 5 are public and 2 are private, with a total enrollment of 35,100 students.

Public health conditions have improved markedly in recent years as a result of large expenditures for medical facilities and sanitation. During the period 1951 through 1964, average life expectancy increased from 58.8 years to 66.4 years and infant mortality decreased from 78.7 to 48.2 per 1,000 births. Mortality among children from 1 to 5 years decreased from 13.0 per 1,000 in 1951 to 5.0 in 1964. During the period 1961 through 1964, the number of hospitals increased from 271 to 326 and hospital beds increased from 22,406 to 28,484.

Agriculture and forestry

In 1964, agriculture, livestock, fishing, and forestry accounted for 7 percent of the gross national product and 33 percent of the employed labor force. Agricultural and livestock production represented 94 percent of the total production in that year of Bs.2,085 million at constant 1957 prices. Of the total agricultural and livestock production, crops accounted for 60 percent, cattle and other livestock 22 percent, milk 14 percent, and eggs 4 percent. The principal agricultural crops are sugar, coffee, bananas, corn, rice, cocoa, yucca, potatoes, fruits and vegetables; cattle is the principal livestock. While the country is practically self-sufficient in sugar, corn, rice, beans, fish, bananas, eggs, and coffee, it imports powdered milk, wheat, and certain kinds of fruit. In 1964, food and beverage imports represented about 7.2 percent of the total value of all imports and 9.1 percent of total food consumption. Coffee and cocoa are the principal export crops.

The value of agriculture, fishing, and forestry (at constant prices) increased at an annual rate of 5.7 percent during the years 1950 through 1964, compared with an annual rate of population increase of 3.9 percent during that period. While production of export crops declined during that period, there was a substantial increase in food and industrial crop production for domestic consumption and in the production of sugarcane, dairy products, and livestock. Government programs to stimulate agricultural production have included irrigation projects, cash

subsidies, liberal credits, Government purchases, support prices, and protection through tariffs and quota restrictions on imports. New highways have opened up rural areas and connected them with urban centers of consumption.

According to the 1961 agricultural census, approximately 2 percent of the nation's total land area is under crop cultivation, 3 percent under cultivated pasture, and 13 percent under unimproved pasture. The pattern of landownership is characterized by a number of extensive estates engaged principally in livestock raising and a large number of small, family-operated farms engaged principally in crop production. It was estimated that in 1956 about two-thirds of all farms consisted of less than 12½ acres and were operated at close to the subsistence level. As a result of irrigation projects undertaken by the Government, land under irrigation increased from approximately 31,875 acres in 1957, to 65,227 acres in 1960, and to 124,490 acres in 1964. Projects now under construction are expected to bring under irrigation an additional 395,854 acres by 1968.

An agrarian reform law adopted in March 1960 contains regulations limiting land tenure and provides for the distribution of public and private lands to qualified farmers, and for farm credit and improved marketing facilities. The land subject to expropriation is generally limited to uncultivated land, farms worked indirectly through renters and sharecroppers, and unimproved pasture-land suitable for cultivation. Privately owned land cannot be expropriated if public land is available in the same area, and the law provides that farms of a size below certain specified limits cannot be expropriated. Land expropriated is to be paid for in cash and Government bonds. Land is either sold or awarded gratuitously to new owners. From the commencement of the land reform program in 1959, until December 31, 1964, about 305,238 acres of land have been expropriated and paid for and 4,636,700 acres have been distributed to 77,528 families. The Government owns over 2½ million acres of land suitable for distribution to farmers.

Labor

The estimated working population of Venezuela at the end of 1963 was 2,715,000. Of the total employed labor force of 2,392,000 in that year, 35 percent was employed in primary industries as compared to 48 percent in 1950, 21 percent in manufacturing and other secondary industries as compared to 19 percent in 1950, and 44 percent in trade, service and other industries as compared to 33 percent in 1950.

The agricultural and industrial unions had 1,570,000 members at the end of 1963, accounting for 66 percent of the employed labor force. Most of the unions are affiliated with the Workers Confederation of Venezuela.

President Leoni, recently describing the Venezuelan labor movement, said: "My close connection with the Venezuelan labor movement dates from those years, and in the intervening three decades of continuous and unflagging struggle the movement has succeed in creating the powerful Confederation of Venezuelan Workers (CTV), with nearly 4,000 unions representing over 1,500,000 rural and urban workers. The CTV has always been a bulwark constitutional government in Venezuela, in part at least because the 3-year democratic regime of 1945-48 and the regimes since 1959 have considered the material and cultural well-being of the working masses a central objective and the basic reason for the democratic revolution which our country is at present undergoing."

The first Venezuelan legislation dealing specifically with employer-employee relations, the law of workshops and public establishments, was promulgated in 1917. This established the workday as 8½ hours, but permitted lengthening by mutual consent of employer and employee. It also established paid remuneration for holidays, prohibited the employer from retaining the worker's salary and determined safety and sanitary standards for places of work.

The labor law of 1928 superseded the workshops and public establishments law and was a result of the initiation of petroleum exploitation and the creation of the National Labor Organization. Among the more advanced aspects of this law were the determination of the workday as 9 hours and nullification of all contracts to the contrary, the obligation of the employer to indemnify workers for injuries resulting from accidents or occupational diseases, and the establishment of special standards for the employment of women and children.

The labor law of 1936 was inspired by the Mexican Federal labor law, the Chilean Labor Code and the recommendations of the International Labor Organization. The basic provisions of this law are still in force, although revisions were made in 1945 and 1947. This law establishes: paid annual vacations; length of service benefits; regulation of domestic employment; profit sharing; the right of collective bargaining; the right to strike; 8-hour day, 48-hour week; social security benefits.

The revision of the 1945 law separated agricultural labor from the provisions of the 1936 law and made such labor subject to a special regulation for agriculture and animal husbandry. It also incorporated standards governing labor unions and improved control over intermediaries.

The 1947 revision of the 1936 labor law provides many important social advances including the following: severance pay; equality between workers and salaried employees with regard to paid vacations; pay for a day of rest per week; pro rata payment for vacations earned; extension of length of service benefits to include death payments.

Social security law

A separate compulsory social security law provides for payments to employees in the case of illness, maternity, occupational diseases, and accidents. The cost of these payments is shared jointly by the Government, the employers, and the employees in the case of illness and maternity payments and by the Government and the employers alone in the case of payments for occupational diseases and accidents. The Government is expanding the geographical and functional coverage of the social security program and it is estimated that as of December 31, 1963, there were 326,043 employees and 616,140 relatives and dependents eligible to receive such payments.

Venezuela's debt record

During the past 20 years, the Republic of Venezuela has paid when due the full currency amount of principal, interest, and amortization requirements upon its direct and guaranteed external indebtedness for money borrowed.

During the period from 1952 through January 1958, the Perez Jimenez government and the autonomous institutions entered into numerous contracts for the construction of public works and the purchase of goods and services which provided for payment over a period of several years. In certain cases promissory notes or other instruments were issued by the Government or the autonomous institutions to evidence the payments due under such contracts. It was customary for the contractor or supplier to assign or discount the payments due or notes issued under those contracts with financial institutions in Venezuela and abroad. Since no adequate records were kept by the Perez Jimenez regime, it has not been possible to determine the exact amounts involved and the extent of the delays in payment which occurred during the years prior to 1958. Nevertheless, it was estimated by the Controller General of Venezuela in his report to the Congress for the year 1960 that the total amount of the obligations of the Central Government and the autonomous institutions under those contracts aggregated Bs2,871 million as of February 1, 1958. A substantial amount of these obligations were payable in foreign currencies.

After the overthrow of the Perez Jimenez regime in January 1958, the new government conducted extensive investigations of these contracts in order to determine whether or not irregularities had occurred in connection with the amounts charged or the work done or the goods and services supplied thereunder. Substantial delays occurred in the payment of the obligations due under the contracts as it was necessary to review carefully each contract. The provisional government on May 15, 1958, directed that claims be paid only in those cases where no irregularities were found or where the balance due exceeded the amounts objected to by the Government because of such irregularities or where the contractor had agreed to correct the irregularities by reducing the stipulated contract price. On May 29, 1959, Congress ratified the action taken by the provisional government and specified additional procedures for the review by the Controller General of contracts under which claims were then pending. Pursuant to this congressional action and a resolution of the Council of Ministers of October 2, 1959, (a) payment was ordered on balances owing to third party

assignees after withholding amounts objected to, (b) payment was ordered on balances owing to the original contractors after withholding 125 percent of the amounts objected to, and (c) payment was ordered suspended on balances owing to persons notoriously linked with the dictatorship. An interministerial committee was appointed at the same time to study, together with representatives of the Congress, special cases relating to claims assigned to third parties on which payment in full could not be made because the amounts objected to exceeded the balances remaining unpaid under the contract. A special committee appointed in 1962, consisting of representatives of the Congress, the Ministry of Finance, the Office of the Controller General, and the Office of the Attorney General, has continued the examination of these third-party claims. During the period May 15, 1958, to December 31, 1964, the Controller General reviewed 598 contracts, including 284 contracts on which no irregularities were found, 145 contracts on which objections were made but on which all balances had been paid and no amounts could therefore be withheld, and 169 contracts on which objections were made and amounts withheld.

In accordance with the foregoing procedures, payments aggregating Bs2,777,-707,218 were made through December 31, 1964.

The remaining unpaid balance of Bs93,631,347 as of December 31, 1964, represents the amount withheld because of objections made by the Government upon which no settlement has been reached.

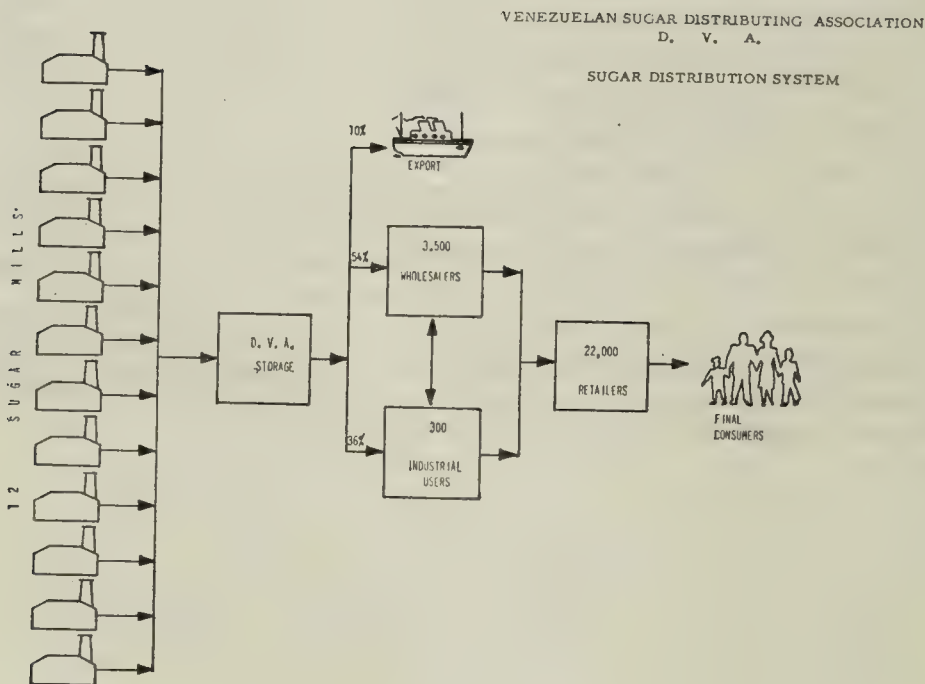
The public debt of Venezuela is relatively one of the lowest in the world. Internal and external direct and guaranteed debt of the Central Government was equivalent to \$386 million at the end of 1964.

Government finance

Responsibility for preparation of the budget and administration of Government finances rests with the Minister of Finance. The President is required to submit the proposed budget for the Central Government for the following year to Congress by the 2d of October, except during election years, when it must be submitted by the 1st of July. Congress may change items in the proposed budget, but may not authorize expenditures in excess of projected revenues. The budget must include every year an appropriation at least equal to a specified percentage of total estimated ordinary revenues for distribution among the States, the Federal district, and the Federal territories in accordance with a prescribed formula, such minimum percentages to be 14½ percent in 1965 and 15 percent in 1966 and thereafter. No taxes may be levied, money borrowed, or expenditures made unless authorized by law. Expenditures may be increased or budget items reallocated during the course of the fiscal year by the Government, with congressional approval, provided total authorized expenditures at no time exceed projected revenues.

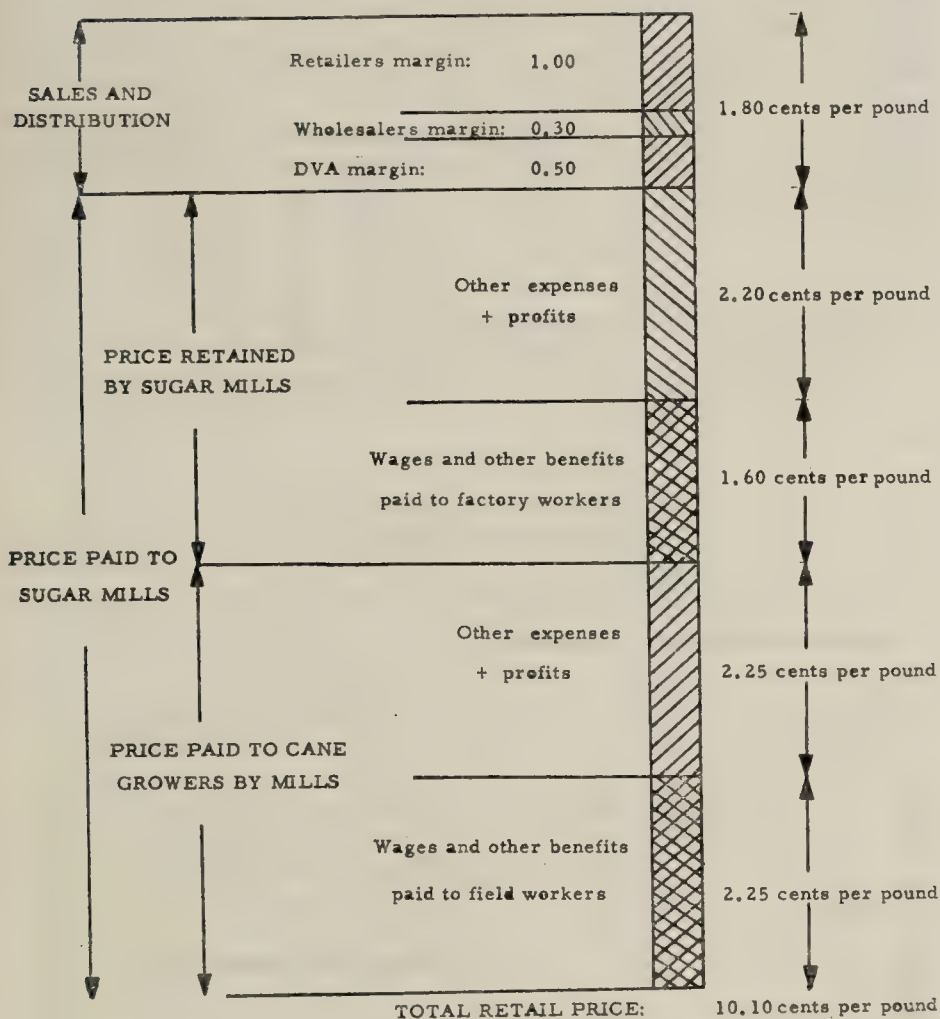
All receipts of public revenues under the budget are credited as general funds of the Central Government to the General Treasury and all expenditures are made from such funds out of appropriations included in the budget approved by Congress. The collection of public revenues is the responsibility of the Ministry of Finance. Responsibility for the execution of the budget is assigned to the various ministries and to the Controller General of the Republic. Expenditures are made by the respective ministries authorized to do so by the budget.

The Controller General is charged with the control, supervision, and auditing of the national revenues, expenditures, and assets and the operations connected therewith. He is responsible to and elected by the Congress and is required to submit to Congress annually a report concerning the accounts submitted to Congress by agencies and officials required to do so.



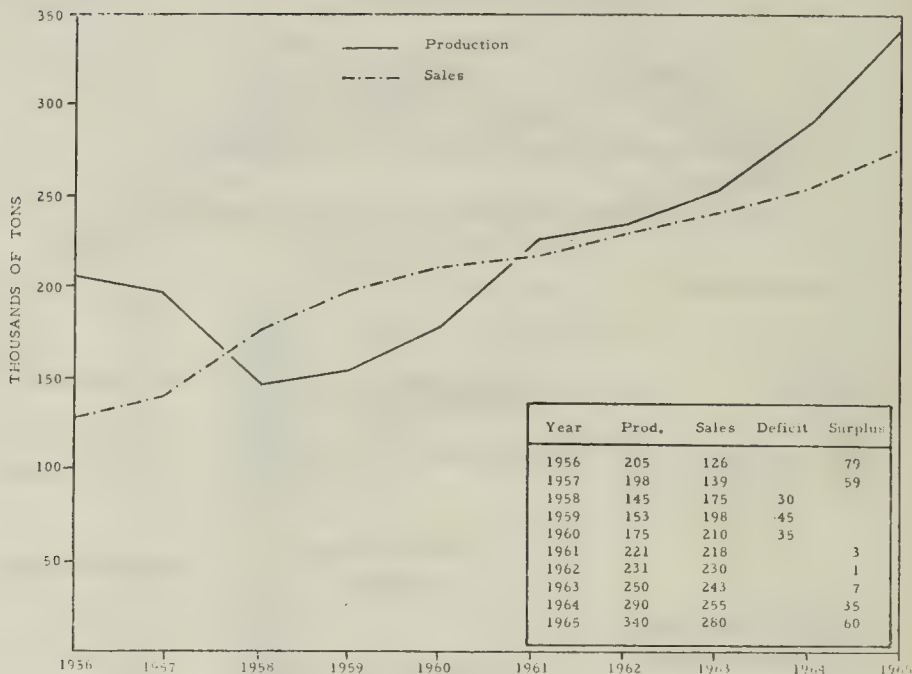
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

BREAKDOWN OF RETAIL PRICE OF REFINED SUGAR



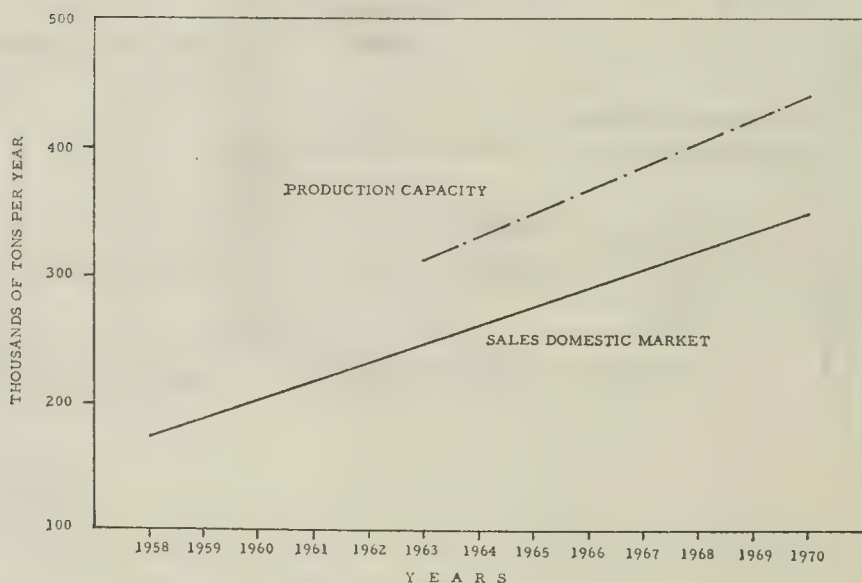
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

PRODUCTION AND SALES 1956-1965



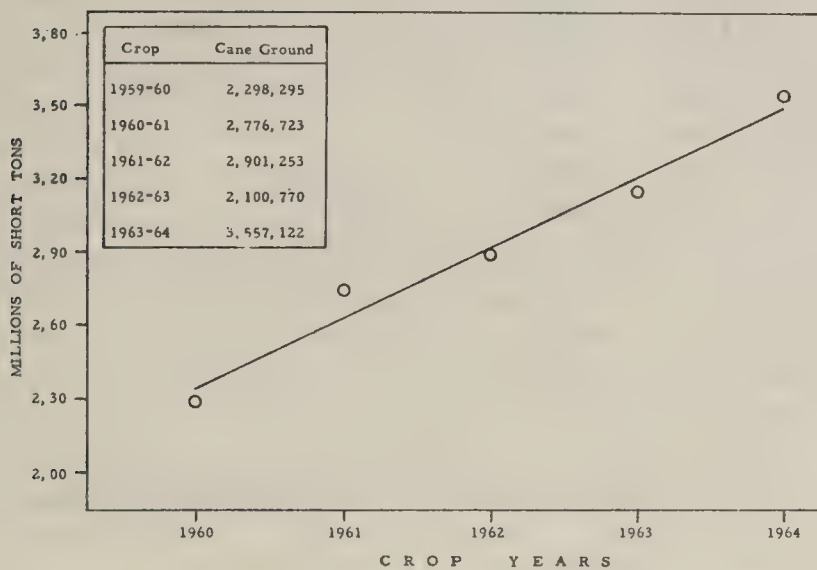
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

PRODUCTION CAPACITY AND DOMESTIC SALES ESTIMATE



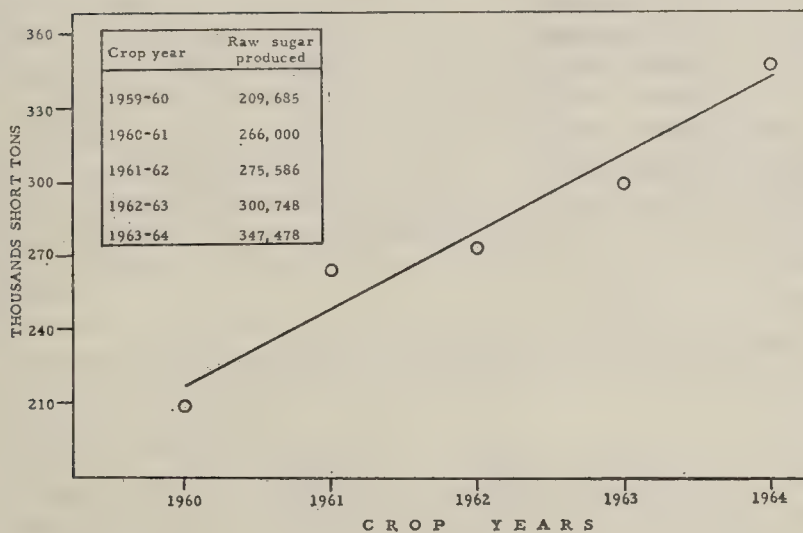
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR CANE HARVESTED



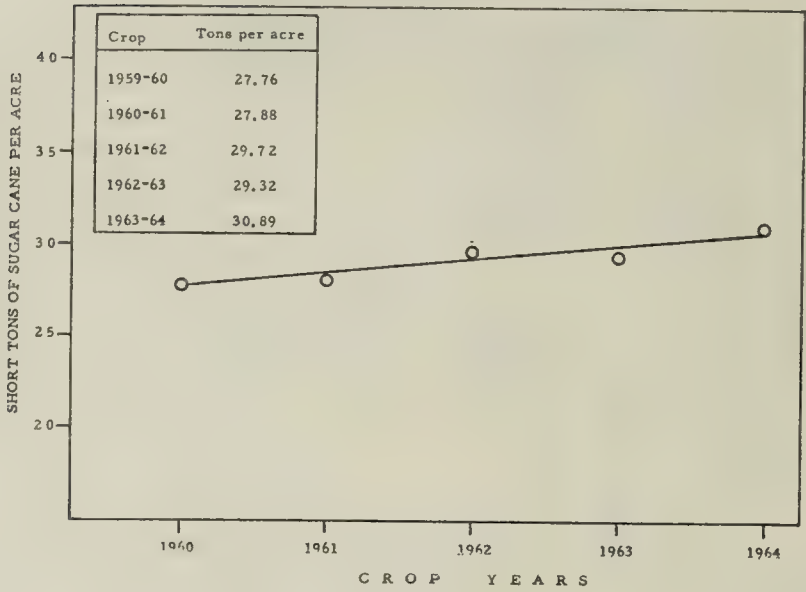
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR PRODUCTION OF VENEZUELA



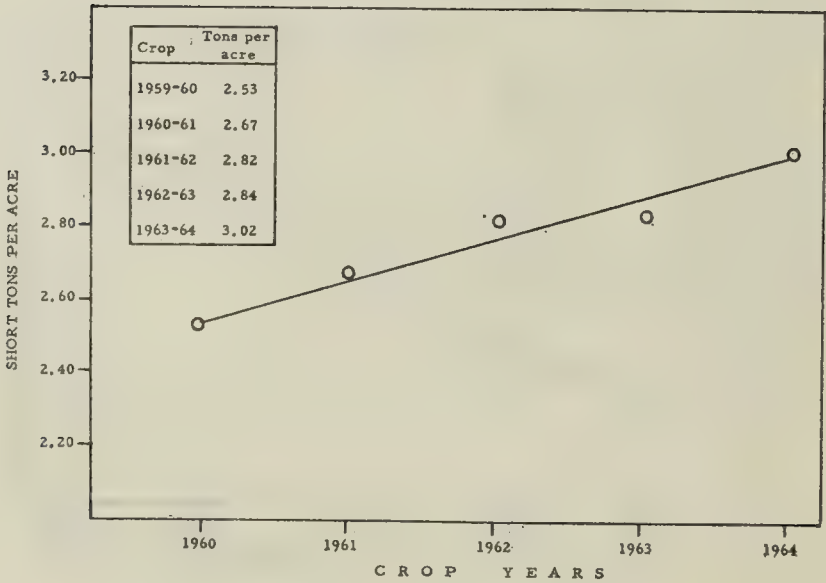
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

YIELDS IN SHORT TONS OF SUGAR CANE PER ACRE



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

YIELDS IN SHORT TONS OF RAW SUGAR PER ACRE



AMERICAN CHAMBER OF COMMERCE OF VENEZUELA,
Caracas, Venezuela, August 11, 1965.

Hon. HAROLD D. COOLEY,
*Chairman, Agriculture Committee,
House of Representatives,
Washington, D.C.*

MY DEAR CHAIRMAN COOLEY: It has been brought to our attention that representatives of the sugar industry in Venezuela (Distribuidora Venezolana de Azucares), are now making representations to your honorable committee for the purpose of securing an increase for Venezuelan sugar in the quotas assigned by our Government. We wish to make known to you our complete endorsement of this action, and to urge your committee to a favorable decision on behalf of our Venezuelan friends.

This subject formed the topic of our directors' meeting today, and they, who represent most of the important American firms engaged in international trade, have unanimously approved this démarche.

Since we may be expected to have more than a casual familiarity with the Venezuelan sugar industry, may we give you some of the reasons for our support of the DVA petition: this Venezuelan industry is a very progressive group closely allied to the interests of Venezuelan agriculture with an outstanding record in its labor relations. As a matter of fact, the industry plays a very important part in the maintenance of sociopolitical stability in the country with a labor force that actually outnumbers those in the petroleum business.

Since our chamber is, by its constitution, committed to the improvement of relations between our country and Venezuela, we are writing you in the hope that their representations before you and other Government departments concerned may be favorably considered.

Sincerely yours,

GERALD MAXFIELD, *President.*

The CHAIRMAN. We thank you very much, Mr. Clark, for this statement, and we are very glad to have your friends from Venezuela with you in your presentation of the statement.

Mr. Teague?

Mr. TEAGUE. Mr. Clark, you spoke about the fact, and I do not doubt it at all, at least comparatively, that your agricultural workers are well-treated in Venezuela. Can you or some of your friends tell me what the average daily earnings of a fieldworker down there are, not a factory worker but an agricultural fieldworker?

Mr. CLARK. It runs from \$3.40 to \$3.60 a day in our currency.

Mr. TEAGUE. What is that compared to dollars?

Mr. CLARK. That is in American dollars, Congressman Teague.

Mr. TEAGUE. As I understand that is considerably higher than the average pay in Mexico. But let me ask you this further question: Is there any substantial unemployment in Venezuela?

Mr. CLARK. In the sugar industry or in the country itself, Congressman?

Mr. TEAGUE. In the country as a whole.

Mr. CLARK. In the country as a whole, I would prefer to have Dr. Perez-Olivares answer that question.

Mr. TEAGUE. All right.

(Discussion off the record.)

Mr. CLARK. Dr. Perez-Olivares, Congressman Teague, informs me that out of over 800,000 there are about 280,000 unemployed, and this quota would go a long way to decrease, I should say, the unemployment.

Mr. TEAGUE of California. I have a better idea.

Mr. CLARK. We would like to have it, Congressman.

Mr. TEAGUE of California. You are, very deservedly, prominent in Democratic circles, I am sure, and we are having a very difficult time in California getting our farm crops harvested, although the hourly rate is from a minimum \$1.40 as high as nearly \$4.

I wish you could persuade the President or the Secretary of Labor to let us have some of those people from Venezuela who might like to come up and help us harvest our crops and earn a lot of money.

Mr. CLARK. Congressman Teague, I would be very pleased to take that up, and I am sure there would be a good sense of responsiveness on the part of the interested Venezuelan officials.

Mr. TEAGUE of California. I would hope so. No one else has been able to bring it about. If you bring that about you are a miracle man.

Mr. CLARK. I will try, Congressman Teague.

The CHAIRMAN. Thank you very much, Mr. Clark.

Mr. Purcell.

Mr. PURCELL. Mr. Chairman, you may have stated it, but I did not get the figures if you did. I am interested in how much oil Venezuela is exporting now.

Mr. CLARK. Ninety-three percent, Congressman Purcell.

Mr. PURCELL. Ninety-three percent of what?

Mr. CLARK. Oil and derivatives.

Mr. PURCELL. How many barrels is that?

Mr. CLARK. In terms of barrels I would have to get the information from the noted economist, Dr. Perez-Olivares.

Mr. PURCELL. Any way you want to. I just want to know.

Mr. CLARK. Dr. Perez-Olivares tells me, that Venezuela produces over 3,400,000 barrels of oil a day, and she is the No. 1 oil exporting country in the world, and third in production, second to the United States then Russia.

Mr. PURCELL. How much does she export?

Mr. CLARK. How much does she export to the United States?

Mr. PURCELL. The total.

Mr. CLARK. The total overall exportable?

Congressman Purcell, Dr. Perez-Olivares tells me that it amounts to about 94 percent exportable and 6 percent domestic consumption.

Mr. PURCELL. Ninety-four percent of 3 million barrels a day is exported?

Mr. CLARK. That is correct.

Mr. PURCELL. All right.

What percent of this comes to the United States?

Mr. CLARK. Over 70 percent, Congressman Purcell.

Mr. PURCELL. Is that crude or semirefined or derivative or what?

Mr. CLARK. Dr. Perez-Olivares advises me that it is both.

Mr. PURCELL. Does he have in mind the breakdown of how much of each, crude and refined?

Mr. CLARK. We would be very pleased to furnish that information, Congressman Purcell, if you wish.

Mr. PURCELL. All right, sir. I wish.

Mr. CLARK. Would you please make a note, Dr. Perez-Olivares? (For the information referred to see p. 242.)

Mr. PURCELL. What other countries does Venezuela sell oil to?

Mr. CLARK. All free world countries—no Iron Curtain countries. In other words, Venezuela has no dealings with Soviet bloc countries. Venezuela also sells to the United Kingdom.

Mr. PURCELL. But not any Iron Curtain countries?

Mr. CLARK. No, no, sir, Congressman Purcell.

Mr. PURCELL. Is this true as to Cuba also?

Mr. CLARK. Yes, sir.

Mr. PURCELL. You have experts with you, and I thought I could find out while I had you here. You have these economists.

Mr. CLARK. Yes. We will be glad to furnish the information, Congressman Purcell.

Mr. PURCELL. Do they sell oil to Cuba?

Mr. CLARK. Oh, no. They have no diplomatic relations. They have severed relations with Cuba. Venezuela was the first to do so. Venezuela was the first to take an affirmative stand in the Western Hemisphere when the United States took a position against Cuba, and stood resolutely and affirmatively and effectively and continuously by the side of the United States.

Not only that, but the distinguished counsel Mr. Vallenilla tells me that the labor unions in Venezuela refuse to unload any ships carrying any material to or from Cuba.

Mr. PURCELL. All right, sir.

How much wheat does your country buy from the United States?

Mr. CLARK. How much wheat, Congressman Purcell?

Mr. PURCELL. Yes.

Mr. CLARK. Approximately \$20 to \$25 million a year, Congressman Purcell.

Mr. PURCELL. Is that cash market?

Mr. CLARK. That is hard money.

Mr. PURCELL. Any Public Law 480 wheat?

Mr. CLARK. No; and, further, this was one of the reasons that, adverting to Mr. Chapman's testimony, that the purchases that Venezuela makes of agricultural purchases, are paid in hard money, in cash. That is why Venezuela is No. 1 as a customer of the United States as far as agricultural imports are concerned, in the Western Hemisphere.

Mr. PURCELL. I do not mean to belabor the point; we have everybody being first. All you fellows want to draw these charts, and everybody's country winds up being first.

Mr. CLARK. We only want to be No. 1 when we deserve to be No. 1, Congressman Purcell, and in this case the record speaks for itself. The Department of Commerce will, at least, confirm our position in this matter.

Mr. PURCELL. I am not arguing. I do not know. May be I just got off wrong, I am not trying to accuse you of anything. I am just trying to find out some information please, sir.

Now then, are you talking about the most dollars paid to the United States in trade of any Latin American country?

The CHAIRMAN. He said Mexico.

Mr. CLARK. In overall trade, Congressman Purcell, we are second to Mexico insofar as purchases from the United States are concerned. Narrowing it to the agricultural area, Venezuela is, No. 1 in cash payments, in dollars, in purchases from the United States. We like to think that comparisons are odious, Congressman Purcell, but we do not think facts are odious. We think they speak for themselves. And the fact is that Venezuela is No. 1 in agricultural purchases from the United States.

Mr. PURCELL. What Latin American country does the United States buy more dollars worth of products from?

Mr. CLARK. I would say the United States makes the most purchases from Venezuela in the way of oil and its derivatives.

Mr. PURCELL. How much, in dollars, is this oil worth that the United States buys from Venezuela?

Mr. CLARK. Congressman Purcell, Dr. Perez-Olivares informs me that he cannot supply that now but we would be pleased to supply it as soon as possible.

Mr. PURCELL. All right.

(For the information referred to see letter below.)

Mr. PURCELL. What is the market price of oil in Venezuela to the United States, in barrels or gallons or whatever?

Mr. CLARK. We will be very pleased, Dr. Perez-Olivares states, to supply all information on the questions that you have asked regarding oil.

Mr. PURCELL. All right, sir.

(The information referred to follows:)

WASHINGTON, D.C., August 26, 1965.

HON. HAROLD DUNBAR COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: During my testimony in behalf of the Venezuelan Sugar Distributing Association, before your committee on Friday, August 20, 1965, in re H.R. 10496, Congressman Purcell asked for certain information concerning Venezuelan's petroleum industry, which is herewith submitted.

Mr. PURCELL. What percentage of Venezuela's crude, or semirefined or oil derivatives does she export to the United States?

Mr. CLARK. Out of a total export of crude petroleum and refined products amounting to 1,146,212,000 barrels in 1964, 477,321,000 barrels were exported to the United States, percentagewise this amounted to 41.64 percent of the export total.

Mr. PURCELL. What other countries does Venezuela sell oil to?

Mr. CLARK. Attached as exhibit 1 is a table prepared by the Division of Petroleum Economics, Ministry of Mines and Hydrocarbons of the Republic of Venezuela entitled, "Exports of Crude Petroleum and Refined Products by Countries, 1950-64" which is self-explanatory.

Mr. PURCELL. But not any Iron Curtain countries?

Mr. CLARK. Absolutely none.

Mr. PURCELL. How much in dollars is this oil that the United States buys from Venezuela worth?

Mr. CLARK. Attached as exhibit 2 is the December 1964 issue of "U.S. Imports of Merchandise for Consumption" prepared by the Bureau of the Census of the U.S. Department of Commerce giving the estimated 1964 value in dollars which shows U.S. combined purchases of crude oil and products to be \$841,446,583, the estimated value in dollars in crude purchases alone amounted to \$492,045,034.

Mr. PURCELL. What is the market price of oil in Venezuela to the United States?

Mr. CLARK. The 1964 annual report "Memoria" of the Venezuela's Ministry of Mines and Hydrocarbons shows that:

"Preliminary figures indicate that the unitary price for export of Venezuelan crudes in 1964 was US\$1.97 per barrel, compared to US\$2.02 per barrel in 1963. The decline of 5 cents of a dollar per barrel is not at all indicative of the deterioration of prices mentioned, but rather due to the exportation of greater quantities of lower gravity crudes that are of a lower price."

Mr. PURCELL. Do you know whether or not oil coming out of Venezuela is the oil that goes into Brownsville, Tex., and is hauled by truck into Mexico under bond and then under some kind of an agreement brought back out of Mexico as an importation to the United States?

Mr. CLARK. I have been informed by Venezuelan Government officials that Venezuela was in no way connected, nor has any knowledge whatsoever of the Brownsville, Tex., Mexican oil transaction and further that this was a transaction involving Pemex (Mexican Petroleum Corp.) and American oil interests.

We trust the above information answers Congressman Purcell's inquiries.

I am advised by Venezuelan Embassy oil authorities that they will be most pleased to furnish any additional information Congressman Purcell may wish.

With assurances of the highest esteem and regard.

Sincerely yours,

CHARLES PATRICK CLARK.

EXHIBIT 1

Exports of crude petroleum and refined products, by countries, 1950-64¹

[In thousands of barrels]

Destination	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Total	494,150	564,162	626,841	616,872	666,465	747,694	803,477	927,504	891,568	916,777	950,419	976,705	1,067,049	1,689,750	1,146,212
Western Hemisphere	364,219	381,604	415,569	438,176	472,821	534,551	610,778	680,272	689,586	713,628	724,928	706,996	745,641	754,616	833,838
North America	261,138	272,346	283,002	302,470	327,460	381,769	431,524	491,486	483,030	502,496	520,008	523,983	561,280	561,702	611,379
Canada (include Newfoundland)	38,322	52,453	57,174	63,658	68,755	82,578	93,092	97,876	85,080	97,804	94,991	101,221	106,872	111,316	132,367
Greenland				10	150		90	253	162	809	250	652	1,603	617	958
Mexico				238,802	258,555	299,157	338,122	391,172	397,032	403,336	424,152	420,243	452,500	449,606	477,321
United States	222,810	219,893	225,828	238,802	258,555	299,157	338,122	391,172	397,032	403,336	424,152	420,243	452,500	449,606	477,321
Central America	44,372	39,734	46,072	45,344	47,630	55,521	69,527	85,752	97,298	108,158	103,817	60,805	68,593	95,109	108,042
French Antilles	128	129	233	145	155	230	305	246	250	229	310	284	194	67	102
British Antilles ²	26,203	18,948	20,869	19,994	21,730	23,224	24,185	24,325	25,043	32,366	41,874	13,554	9,101	11,191	12,781
Costa Rica	649	657	787	823	807	686	1,240	988	1,087	1,040	886	1,209	1,282	1,157	1,292
Cuba	6,524	8,043	8,830	8,471	10,397	11,339	13,235	22,071	28,597	29,568	12,735				
El Salvador	172	293	945	889	987	827	1,179	1,274	1,275	1,293	1,091	1,897	1,857	4,149	4,439
Guatemala	980	938	1,425	1,558	1,304	1,708	2,176	2,440	2,041	2,254	2,637	3,194	3,108	2,289	2,832
Haiti	286	349	478	473	672	786	699	907	722	722	637	456	369	2,277	672
Honduras	744	788	707	820	681	678	699	907	821	1,044	1,084	1,138	1,282	1,102	972
Nicaragua	355	431	588	589	793	1,027	1,010	1,297	1,103	1,070	1,193	1,424	1,549	1,921	2,091
Panama Republic	4,519	5,266	6,943	6,493	5,422	6,570	6,921	8,770	6,566	6,510	7,815	3,747	10,359	19,451	17,416
Puerto Rico	2,667	2,782	3,082	3,298	3,273	6,570	12,806	15,567	25,312	29,567	31,960	34,108	36,789	40,028	43,521
Dominican Republic	1,145	1,110	1,282	1,464	1,451	1,927	2,052	2,304	2,312	2,312	955		2,682	3,343	3,874
Others				319	97	63	3,023	4,948	2,639	183		34	51	10,134	18,050
South America	58,709	69,524	86,495	90,362	97,731	97,261	109,727	103,034	109,258	102,874	101,103	122,208	115,768	97,805	114,407
Argentina	21,881	23,383	29,804	26,662	27,303	31,904	40,313	41,392	41,298	41,767	31,423	24,726	16,612	7,927	13,219
Bolivia	278	213	249	625	109	22	78	79	30	19	126	131	36	124	139
British Guiana	6										53	7	1	1	474
Brazil	27,985	34,456	42,040	46,227	51,255	44,834	48,579	42,301	52,641	45,127	48,276	47,071	44,386	39,330	39,241
Colombia	661	1,170	2,918	4,279	4,977	3,078	2,342	2,342	6,419	214	736	1,467	1,377	389	395
Chile	2,794	4,826	5,833	7,198	6,941	6,740	7,265	6,363	5,543	6,339	6,392	6,974	7,319	6,876	7,474
Ecuador	11	11	24	50	219	36	112	177	691	911	1,553	1,316	1,817	1,821	3,082
French Guiana						1								0	0
Paraguay	97	119	195	202	316	528	427	296	510	614	885	945	528	681	746
Peru				358	333	1,255	1,421	1,071	207	483	1,747	1,842	2,314	3,549	3,630
Surinam	0	1	3		1	0	1	1	0	0	133	159	162	163	129
Trinidad and Tobago ³												32,471	35,425	33,007	40,924
Uruguay	5,007	5,344	5,429	4,759	7,177	8,863	8,911	9,112	7,919	7,400	9,839	5,090	5,791	3,937	5,438

Eastern Hemisphere.....	122, 189	163, 959	157, 178	138, 199	161, 365	184, 088	223, 088	244, 662	200, 548	201, 927	224, 368	208, 172	320, 559	334, 334	309, 684
Europe.....	109, 652	135, 902	117, 924	104, 425	120, 809	157, 368	195, 358	210, 363	176, 021	175, 495	190, 993	230, 753	275, 663	296, 283	270, 338
Economic Community.....	38, 156	41, 542	43, 796	37, 853	45, 327	62, 844	79, 414	81, 006	65, 683	58, 681	56, 568	86, 336	111, 596	123, 566	94, 767
Belgium.....	5, 203	8, 549	8, 763	6, 840	5, 524	5, 958	6, 301	5, 837	6, 587	4, 093	4, 417	6, 124	10, 149	12, 874	10, 311
France.....	13, 008	11, 022	9, 129	7, 828	7, 968	8, 592	12, 163	19, 857	16, 136	18, 740	18, 412	17, 541	21, 610	22, 440	21, 895
Italy.....	5, 677	5, 225	5, 981	5, 437	5, 455	6, 413	9, 085	9, 127	5, 516	6, 491	4, 212	10, 240	12, 921	13, 440	7, 828
Netherlands.....	9, 991	10, 045	13, 166	10, 885	19, 314	29, 925	43, 157	36, 560	20, 883	14, 483	15, 301	30, 540	35, 443	45, 319	34, 428
Luxembourg.....					11		23	21	26	58	32	71			
West Germany.....	4, 277	6, 701	6, 757	6, 863	7, 055	11, 956	8, 684	9, 604	16, 552	16, 816	14, 194	21, 820	31, 473	29, 493	20, 305
Other countries.....	71, 496	94, 360	74, 128	66, 572	75, 482	94, 524	115, 944	129, 357	110, 338	116, 814	134, 425	144, 417	164, 067	172, 717	175, 571
Cyprus.....															307
Denmark.....	5, 449	6, 845	5, 956	1, 997	2, 076	4, 409	3, 810	2, 571	2, 302	5, 179	5, 436	5, 965	5, 881	6, 383	6, 149
Finland.....	1, 131	936	314	0	81	1, 017	2, 107	904	166	82	94	94	103	760	963
Gibraltar.....															3, 494
Greece.....	2, 433	2, 007	1, 999	743	344	891	1, 275	474	362	214	238	167	237	733	165
Ireland.....															285
Malta.....															273
Norway.....	4, 428	4, 857	6, 382	5, 838	4, 755	6, 476	4, 357	3, 748	3, 102	5, 952	7, 312	13, 550	17, 853	11, 117	298
Portugal.....	2, 737	2, 719	3, 017	3, 115	3, 434	3, 948	4, 516	3, 544	3, 612	3, 624	4, 282	3, 890	5, 375	5, 305	6, 076
United Kingdom.....	31, 346	48, 959	27, 629	20, 643	41, 135	51, 526	71, 882	89, 074	77, 296	77, 123	91, 858	88, 765	100, 954	107, 710	103, 307
Spain.....	11, 440	12, 368	10, 944	9, 684	11, 354	10, 855	11, 440	12, 084	9, 987	10, 465	10, 852	16, 946	21, 736	23, 089	19, 381
Sweden.....	10, 657	13, 490	16, 258	13, 151	10, 873	14, 998	15, 470	16, 168	12, 076	12, 748	13, 258	11, 715	10, 009	15, 140	29, 192
Switzerland.....															262
Turkey.....	1, 875	2, 084	1, 417	909	397	93	127	133	116	646	14	440	15	329	103
Yugoslavia.....		95	212	114	121	97	251	5	292	114	157	335	61	202	644
Others.....	0			67	62				180						
Middle East.....	2, 543	4, 993	4, 923	4, 306	5, 721	1, 382	1, 311	3, 047	1, 712	1, 598	1, 297	890	736	662	755
Aden.....															
Saudi Arabia.....															
Israel.....	2, 543	4, 920	4, 790	1, 465	1, 563	1, 158	929	2, 817	1, 260	1, 004	1, 225	701	379	98	127
Lebanon.....		43	133	54	218	91	154	1	7	124	45	180	229	422	607
Syria.....				41		108	85	229	228	70	27	9		142	121

Footnotes at end of table, p. 246.

EXHIBIT 1
*Exports of crude petroleum and refined products, by countries, 1950-64*¹—Continued
[In thousands of barrels]

Destination	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Eastern Hemisphere—Continued															
Asia, southern, and Far East.....	158	933	4,739	6,182	7,370	3,450	3,085	2,478	4,361	2,030	2,540	5,555	14,579	12,146	15,459
Ceylon.....			214	43	28		15	35	246		93		1,422	1,521	2,282
Federation of Malaysia.....			2,272	3,868	5,700	2,509	2,222	1,764	2,233	928	349		1,711	38	44
Hong Kong.....													309	358	20
India.....	27	907	1,797	1,595	974	550	776	415	1,316	381	728	1,037	1,589	9,611	849
Indonesia.....	131									521	1,224	1,473	8,788		11,385
Japan.....			368	659	571	391	72	235	225		64	1,943	113		
Pakistan.....			80	8	0			29	222		7	141	351	122	337
Philippines.....					97						76	148			
Taiwan.....															
Thailand.....															
Others.....		3	8	9					112			1,325	596	187	542
Africa.....	9,591	20,035	25,121	22,079	23,734	19,554	21,327	26,472	15,788	19,655	26,411	25,968	24,606	21,508	19,075
Oceania.....	245	2,126	4,471	1,207	3,731	2,334	2,007	2,362	2,666	3,149	3,127	5,006	4,975	3,735	4,057
Australia.....	245	1,338	3,608	794	1,357	1,910	1,449	1,015	953	1,032	1,184	2,017	2,488	1,542	2,079
New Zealand.....		788	863	413	2,374	424	558	1,287	1,713	2,117	1,943	2,989	2,487	2,193	1,978
Bunkers.....	3,004	4,399	2,735	3,235	3,481	3,668	3,118	2,570	1,434	1,322	971	1,537	849	709	299
Other destinations.....	4,738	14,200	51,359	37,262	28,798	25,387	26,493				152			91	2,401

¹ Includes Aruba and Curacao; eliminates shipments of crude petroleum and refined products among Venezuela, Aruba, and Curacao.
² Includes Trinity and Tobago until 1960.
³ Included into British Antilles until 1960.

EXHIBIT 2

IMPORTS FOR CONSUMPTION

TABLE 2.—Commodity by country

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
	<i>Pounds</i>		<i>Pounds</i>	
Total.....	27, 859	\$383, 994	114, 518	\$1, 808, 804
2929140 Agar-agar:				
Denmark.....			15, 954	19, 784
United Kingdom.....			6, 107	26, 446
Spain.....	28, 627	47, 880	191, 983	291, 549
Portugal.....	2, 205	4, 000	65, 054	108, 076
Korean Republic.....	11, 200	16, 434	49, 700	71, 097
Japan.....	23, 485	36, 947	148, 785	248, 813
Morocco.....	14, 550	22, 147	155, 533	226, 801
Total.....	80, 667	127, 408	633, 116	992, 566
2929160 Saps and extracts, vegetables, pectic substances, and mucilages and thickeners from vegetable products:				
Canada.....		126, 253		701, 919
Mexico.....		98, 552		1, 045, 591
Guatemala.....		21, 808		157, 771
British Honduras.....		300		300
Honduras.....				316
Bahamas.....				100
Haiti.....				824
Dominican Republic.....		17, 929		265, 916
Venezuela.....				336
Ecuador.....				600
Peru.....		12, 488		92, 529
Chile.....				51, 868
Brazil.....				2, 800
Argentina.....				882
Sweden.....				10, 512
Norway.....		2, 012		55, 032
Denmark.....		64, 296		630, 229
United Kingdom.....		4, 912		521, 581
Ireland.....				6, 598
Netherlands.....				2, 118
Belgium.....		5, 998		23, 777
France.....		3, 920		22, 762
West Germany.....		14, 136		32, 995
Switzerland.....				16, 472
Poland.....				2, 800
U.S.S.R.....				6, 750
Spain.....		11, 875		49, 152
Portugal.....		5, 275		172, 913
Italy.....		109, 072		401, 233
Yugoslavia.....		15, 900		38, 229
Greece.....				18, 038
Bulgaria.....				2, 238
Turkey.....		10, 690		85, 176
Cyprus.....		13, 317		73, 784
Syria.....				741
Lebanon.....		378		4, 276
Israel.....		10, 988		85, 803
India.....		524		2, 605
Malaysia.....				14, 268
Indonesia.....				1, 296
Philippine Republic.....				9, 377
Korean Republic.....				20, 344
Hong Kong.....				3, 414
Taiwan.....				5, 652
Japan.....		1, 544		19, 665
Morocco.....		1, 317		37, 114
Egypt.....				69, 376
Tanganyika.....				5, 923
Zanzibar.....				6, 243
Seychelles.....				1, 722
Malagasy Republic.....				4, 491
Republic of South Africa.....				60, 602
Total.....		553, 484		4, 847, 053

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
2929200 Fibers, crinoline, vegetal, and kapok, include raw, wastes, advanced wastes, and fiber blends:	<i>Pounds</i>		<i>Pounds</i>	
India.....		\$207		\$3,225
Ceylon.....		11,947		11,947
Burma.....				3,080
Thailand.....		308,212		3,489,181
Vietnam.....		14,796		35,712
Cambodia.....				8,184
Indonesia.....		79,290		760,135
Taiwan.....				1,755
Japan.....				5,340
Morocco.....				5,523
Total.....		414,452		4,324,082
2929320 Istle fiber, crude or processed:				
Canada.....				2,024
Mexico.....		210,648		2,748,338
United Kingdom.....		6,903		34,770
Hong Kong.....				807
Total.....		217,551		2,785,939
2929340 Straw and other fibrous vegetable substances, processed, not elsewhere specified:				
Mexico.....	468,928	15,463	6,147,249	262,097
Guatemala.....	793	200	31,463	7,463
Venezuela.....			4,409	410
Peru.....			31,360	4,600
Brazil.....	2,756	788	139,085	38,104
United Kingdom.....	4,000	1,599	40,204	14,236
Netherlands.....	50,125	6,643	278,957	36,562
Belgium.....	11,000	2,926	66,006	13,178
India.....	838,076	77,890	7,160,123	653,136
Pakistan.....			24,640	3,586
Japan.....			119,846	42,457
Sierra Leone.....			24,640	3,166
Nigeria.....			233,985	25,434
Republic of South Africa.....	5,600	1,057	16,800	3,074
Total.....	1,381,278	106,566	14,318,767	1,107,503
2929820 Broomcorn:	<i>Short tons</i>		<i>Short tons</i>	
Mexico.....	418	95,578	5,385	1,272,718
Argentina.....	85	22,509	372	87,839
Austria.....			18	8,244
Hungary.....	8	2,280	8	2,280
Italy.....	20	14,200	167	106,439
Yugoslavia.....			124	47,341
Greece.....	11	4,617	59	25,086
Total.....	542	139,184	6,133	1,549,947
2929840 Guar seeds and teasels, and seaweeds and other marine plants prepared for use as human food:	<i>Pounds</i>		<i>Pounds</i>	
Canada.....	2,896	1,898	18,718	8,431
Mexico.....			592	593
Norway.....	4,409	158	105,144	3,683
France.....			24,727	13,783
Italy.....			8,584	3,154
India.....			881,642	93,960
Malaysia.....			52,304	2,160
Korean Republic.....	2,332	6,844	49,203	78,415
Hong Kong.....			776	1,398
Japan.....	28,837	41,714	283,592	408,472
Total.....	38,474	50,614	1,425,282	614,049

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3213000 Bituminous coal and coal, coke, or other carbon material fuel compositions and coal, n.e.s., including lignite:	<i>Short tons</i>		<i>Short tons</i>	
Canada.....	22,161	\$186,966	304,575	\$2,469,333
Mexico.....	51	349	51	349
Japan.....			26	1,500
Total.....	22,212	187,315	304,652	2,471,182
3217000 Peat moss and peat moss fertilizer:				
Canada.....		222,087		10,568,454
Mexico.....				16,145
Colombia.....				267
Sweden.....		6,451		67,462
Denmark.....		876		876
United Kingdom.....				7,827
Ireland.....				94,614
Netherlands.....		1,187		25,156
Belgium.....				2,025
France.....				4,832
West Germany.....		64,400		1,217,266
Finland.....				3,332
Poland.....		10,505		242,177
Japan.....		640		2,575
Total.....		306,146		12,253,008
3218000 Coke of coal, suitable for use as fuel:				
Canada.....	6,164	88,522	101,375	1,329,897
British Guiana.....			40	608
Belgium.....			220	7,296
West Germany.....			1,651	170,809
Total.....	6,164	88,522	103,286	1,508,607
3310120 Crude petroleum, including reconstituted and crude shale oil, testing under 25° API:	<i>Barrels</i>		<i>Barrels</i>	
Canada.....	1,591,267	2,965,648	16,836,744	31,166,593
Mexico.....	1,540,278	2,824,359	10,841,771	20,188,666
Trinidad.....			35,000	87,500
Netherlands Antilles.....			2,681	5,763
Colombia.....	118,359	245,003	870,211	1,809,363
Venezuela.....	4,473,989	9,050,849	75,857,169	156,342,742
Iran.....			6,546	13,419
Kuwait.....			376,000	804,640
Syrian Arab Republic.....	301,136	370,397	2,712,428	3,801,812
Saudi Arabia.....	975,087	1,944,139	14,022,603	27,147,723
Egypt.....			897,084	1,307,613
Total.....	9,000,116	17,400,395	122,438,237	242,675,834
3310140 Crude petroleum, including reconstituted, and crude shale oil; testing 25° API or more:				
Canada.....	10,022,345	25,959,663	85,306,495	224,553,729
Mexico.....			13,003	31,468
Trinidad.....			2,379	7,993
Netherlands Antilles.....			1,864,048	4,144,736
Colombia.....	776,932	1,892,888	9,309,574	24,273,371
Venezuela.....	11,040,038	27,315,729	133,528,674	335,702,292
Iran.....	837,298	1,309,120	24,811,159	43,833,801
Kuwait.....	1,120,556	1,829,441	22,776,197	42,965,692
Syrian Arab Republic.....	2,687,669	5,458,103	35,089,955	71,376,450
Saudi Arabia.....	569,691	1,100,650	7,156,840	13,501,730
Indonesia.....	2,368,385	4,555,447	23,468,857	44,890,476
Japan.....			17,737	55,871
Algeria.....	363,011	744,173	2,247,709	4,597,523
Libya.....	1,667,016	3,121,973	14,115,637	27,111,069
Egypt.....			25,842	55,354
Total.....	31,452,941	73,287,187	359,734,106	837,101,555

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3310210 Fuel oil testing under 25° API, to be further refined:				
Canada.....	<i>Barrels</i> 12,607	\$24,301	<i>Barrels</i> 55,467	\$106,474
Netherlands Antilles.....			73,037	11,381
Venezuela.....	226,975	431,898	1,468,798	2,570,727
Saudi Arabia.....	19,276	41,251	338,283	442,984
Egypt.....			183,441	258,652
Total.....	258,858	497,450	2,119,026	3,490,218
3310220 Fuel testing 25° API or more, to be further refined:				
Canada.....			316,968	831,709
Venezuela.....	155,891	284,533	491,083	1,084,383
Netherlands.....			24	318
Saudi Arabia.....			338,332	666,182
Indonesia.....			63,996	136,310
Japan.....			25,786	81,355
Total.....	155,891	284,533	1,236,189	2,800,257
3310230 Naphthas derived from petroleum, shale oil natural gas, etc., to be further refined:				
Canada.....	31,751	109,344	432,041	1,382,920
Panama.....			280,078	700,196
Trinidad.....	1,017,597	2,300,624	3,943,142	11,481,576
Netherlands Antilles.....	594,803	1,276,530	7,221,107	15,719,073
Venezuela.....	1,005,113	2,762,005	4,874,301	13,572,920
Netherlands.....	140,000	434,000	375,064	904,128
West Germany.....			160,973	465,947
Italy.....	258,843	443,398	519,039	1,039,246
Iran.....			298,814	480,969
Kuwait.....	26,500	60,858	1,860,392	4,181,760
Syrian Arab Republic.....			1,415,966	2,510,933
Saudi Arabia.....			3,623	7,247
India.....			154,000	285,246
Malaysia.....	121,088	278,739	463,582	1,160,943
Indonesia.....			144,576	368,674
Japan.....			587,970	1,648,760
Egypt.....			979,279	1,970,794
Total.....	3,195,695	7,665,498	23,713,947	57,881,332
3310240 Liquid derivatives of petroleum, to be further refined:				
Canada.....			471	2,973
Venezuela.....	89,839	217,492	1,737,464	4,116,815
Total.....	89,839	217,492	1,737,935	4,119,788
3321000 Gasoline and motor fuels, N.E.S.:				
Canada.....	15,038	54,836	515,812	2,134,397
Mexico.....			325	3,334
Panama.....			142,173	597,125
Trinidad.....	44,274	169,217	382,146	1,365,691
Netherlands Antilles.....	148,094	540,101	1,290,341	4,754,051
Venezuela.....	59,383	196,711	679,467	2,373,258
United Kingdom.....			12	206
Netherlands.....			288,891	856,881
Belgium.....			5	474
Italy.....			18	372
Syrian Arabia Republic.....			80,200	282,946
Total.....	266,789	960,865	3,379,390	12,368,735
3322020 Jet fuel:				
Trinidad.....	135,148	459,093	2,072,278	7,260,631
Netherlands Antilles.....	652,166	2,283,658	13,917,983	39,921,610
Venezuela.....	430,927	1,330,515	8,390,432	21,563,956
Total.....	1,218,241	4,073,266	24,380,693	68,746,197

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3322040 Kerosene derived from petroleum, shale oil, or both, except motor fuel:	<i>Barrels</i>		<i>Barrels</i>	
Canada.....			26	\$198
Mexico.....			30	285
Trinidad.....			17,387	66,625
Netherlands Antilles.....			98,040	313,220
Venezuela.....			31,455	107,008
West Germany.....			333	19,688
Japan.....	1,763	\$2,834	1,763	2,834
Total.....	1,763	2,834	149,034	509,858
3323020 Fuel oil testing under 25° API, N.E.S. with saybolt universal viscosity at 100° F. under 145 seconds:				
Canada.....			143	480
Netherlands Antilles.....	117,459	278,378	1,305,999	3,250,510
Venezuela.....			1,137,523	2,651,680
Italy.....	130	437	130	437
Total.....	117,589	278,815	2,443,795	5,903,107
3323040 Fuel oil testing 25° API or more, n.e.s., with saybolt universal viscosity at 100° F. under 145 seconds:				
Canada.....	2,310	8,519	76,385	313,709
Trinidad.....	6,638	21,467	45,238	138,766
Netherlands Antilles.....	664,885	2,265,432	1,828,928	5,825,578
Venezuela.....	400,315	880,487	2,185,405	6,585,991
Iran.....			366,984	495,779
Kuwait.....			15	128
Total.....	1,074,156	3,175,905	4,502,955	13,359,951
3324000 Fuel oil n.e.s., with a saybolt universal viscosity at 100° F. of 145 seconds or more:				
Canada.....	263,630	711,621	1,825,782	4,561,155
Mexico.....	426,887	843,776	6,685,386	13,396,096
Panama.....	317,908	635,816	1,545,262	2,882,289
Canal Zone.....	189,067	453,761	349,118	837,884
Leeward and Windward Islands.....			1,001	1,969
Trinidad.....	2,715,126	5,430,025	36,527,389	74,709,652
Netherlands Antilles.....	9,751,562	20,018,833	95,821,370	197,815,141
Colombia.....	323,972	621,648	1,484,841	3,059,739
Venezuela.....	16,442,404	33,277,826	142,656,760	286,479,951
Brazil.....			245,105	509,920
Argentina.....	25,000	50,000	1,289,123	2,591,302
United Kingdom.....			154	518
Netherlands.....	116,367	239,716	116,367	239,716
Italy.....			11,652	23,304
Israel.....			213	251
Syrian Arab Republic.....	248,340	591,049	2,352,560	5,623,056
Saudi Arabia.....			185,738	371,475
Aden.....			888	1,812
Bahrain.....			1,048,102	2,509,247
French Somaliland.....			1,414	2,885
Total.....	30,820,263	62,874,071	292,148,225	595,617,362
3325000 Lubricating oils and greases derived from petroleum, shale oil, or both:				
Canada.....		5,755		224,872
Mexico.....		10,533		21,326
Sweden.....		327		13,874
United Kingdom.....		5,725		28,022
Netherlands.....		25,597		171,893
Belgium.....				1,579
France.....		208		1,608
West Germany.....		1,861		23,755
Switzerland.....		590		4,017
Italy.....				1,846
Japan.....		168		4,341
Australia.....				486
Nigeria.....		3,391		3,391
Total.....		54,155		501,010

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3326220 Wax, Montan, paraffin and other petroleum wax:	<i>Pounds</i>		<i>Pounds</i>	
Canada.....	87,871	\$8,734	417,774	\$46,635
United Kingdom.....			30,894	4,697
West Germany.....	27,901	6,592	577,040	100,047
East Germany.....	86,138	10,800	1,910,326	274,656
Czechoslovakia.....	22,046	4,480	44,086	8,740
Switzerland.....			220	375
Total.....	223,956	30,606	2,980,340	435,150
3326240 Mineral waxes, NSPF:				
Brazil.....			4,364	3,111
West Germany.....	589,003	224,486	4,216,753	1,761,411
Republic of South Africa.....	902,798	138,576	4,929,794	714,515
Total.....	1,491,801	363,062	9,150,911	2,479,037
3329700 Marine glue pitch, tar coke pitch, oil-gas tar pitch, blast furnace pitch, etc.:				
Canada.....	125,900	2,166	2,172,599	38,622
United Kingdom.....	268,048	6,404	270,288	6,687
France.....			33,867	672
Total.....	393,948	8,570	2,476,754	45,981
3329800 Asphaltum, bitumen and limestone rock asphalt:	<i>Long tons</i>		<i>Long tons</i>	
Canada.....	923	15,270	24,259	465,288
Trinidad.....			3,745	94,623
Netherlands Antilles.....	18,619	273,859	576,037	7,882,270
Venezuela.....	48,895	699,993	385,383	5,581,354
United Kingdom.....			11	1,557
Netherlands.....			5,506	73,352
East Germany.....			27	2,321
Total.....	68,437	989,122	994,968	14,100,765
3329920 Naphthas derived from petroleum, shale oil, natural gas, etc., n.e.s.:	<i>Barrels</i>		<i>Barrels</i>	
Canada.....	2,793	13,362	21,847	123,039
Trinidad.....			946,912	1,981,112
Netherlands Antilles.....	424,913	842,918	3,013,430	6,348,199
Venezuela.....	32,757	64,662	860,430	1,864,428
Netherlands.....			26	166
West Germany.....	40	478	44	1,863
Kuwait.....	65	175	65	175
Saudi Arabia.....			36,233	70,292
Japan.....			89,839	231,785
Total.....	460,568	921,595	4,968,826	10,621,059
3329940 Liquid derivatives of petroleum, n.e.s., and hydrocarbon mixtures, from petroleum, not liquid:				
Canada.....		6,793		44,988
Netherlands Antilles.....				15,645
Venezuela.....				316,824
Denmark.....				961
United Kingdom.....				33,003
Netherlands.....				1,547
West Germany.....				944
Italy.....				454
Total.....		6,793		414,366
3410020 Liquefied petroleum gases, propane, butane, and mixtures thereof:				
Canada.....	457,038	762,783	3,952,574	6,656,250
Venezuela.....	77,993	241,778	193,408	532,254
United Kingdom.....	1	1,367	5	5,463
Netherlands.....			34	21,299
France.....			284	40,183
West Germany.....	17	7,534	327	38,385
India.....			694	728
Japan.....			1,077	13,154
Total.....	535,049	1,013,462	4,148,403	7,307,716

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3410040 Natural gas, ethane, methane, and mixtures, etc.:	<i>Barrels</i>		<i>Barrels</i>	
Canada.....		\$6,492,031		\$90,564,976
Mexico.....		850,110		8,820,889
West Germany.....				1,379
Japan.....				7,137
Total.....		7,342,141		99,394,381
4111010 Cod liver oil:	<i>Pounds</i>		<i>Pounds</i>	
Canada.....			1,599,712	127,182
Iceland.....	95,767	8,458	936,624	101,887
Norway.....	141,700	22,145	1,085,342	157,052
United Kingdom.....	30,938	4,963	384,407	53,393
Ireland.....			46,275	4,171
Netherlands.....			3,814	583
Portugal.....	64,573	4,315	1,131,974	110,315
Japan.....	180,214	29,085	2,008,788	302,454
Total.....	513,192	68,966	7,196,936	857,037
4111020 Whale oil, sperm, crude:				
Canada.....			235,420	16,431
Peru.....			8,033,446	510,152
Norway.....			6,950,764	625,604
Netherlands.....			5,639,754	404,135
Japan.....			25,866,675	2,235,806
Total.....			46,726,059	3,792,128
4111030 Whale oil, sperm, refined or processed:				
Canada.....			172,240	7,591
Norway.....			2,816,478	339,590
United Kingdom.....	271,720	28,236	3,182,136	387,244
Japan.....			1,971,110	254,621
Republic of South Africa.....			4,005,520	493,811
Total.....	271,720	28,236	12,147,484	1,482,857
4111040 Oils, of marine animals, n.e.s.:				
Canada.....	415,220	33,579	10,284,662	782,568
Miquelon.....			4,599	332
Mexico.....			14,180	589
Iceland.....	52,403	3,144	94,411	6,058
Norway.....			683,441	31,708
United Kingdom.....			22,276	2,042
Japan.....	5,374	17,719	389,227	285,562
Total.....	472,997	54,442	11,492,796	1,108,859
4113000 Oils, fats, and greases, animal, excluding lard:				
Canada.....	262,405	17,495	2,080,521	138,430
Peru.....			58,544	5,451
Iceland.....			22,046	2,899
Denmark.....			42,448	19,426
United Kingdom.....	332,335	31,644	1,822,952	169,205
Netherlands.....	10,053	1,052	338,577	19,609
Belgium.....	22,463	3,531	565,080	96,515
France.....	9,136	1,860	9,136	1,860
West Germany.....			618,201	72,812
Switzerland.....			5	118
Poland.....			4,409	981
Italy.....	25,853	3,529	360,581	58,309
Turkey.....			69,241	9,053
Japan.....	138,428	20,857	2,041,695	252,608
Australia.....	236,978	42,616	2,384,968	391,109
New Zealand.....			534,040	260,110
Republic of South Africa.....			5,245	577
Total.....	1,037,651	122,584	10,957,689	1,499,072

TABLE 2—Commodity by country—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
	<i>Pounds</i>		<i>Pounds</i>	
4214000 Oil, peanut or ground nut: France.....	1,200	\$707	1,200	\$707
4215020 Olive oil, unfit for use as food:				
Spain.....			70,547	15,420
Turkey.....			87,364	22,369
Total.....			157,911	37,789
4215040 Olive oil, fit for use as food:				
Canada.....			27,859	9,352
Sweden.....			17,637	5,120
Denmark.....			66,132	15,167
Belgium.....			11,023	2,775
France.....	30,297	10,150	339,937	120,902
Spain.....	1,482,501	420,702	43,439,419	10,397,451
Portugal.....	22,800	8,104	225,190	78,060
Italy.....	1,958,926	648,042	18,961,716	6,300,491
Greece.....	83,377	25,132	400,395	120,839
Turkey.....	263,942	65,133	945,828	228,637
Cyprus.....			420	171
Israel.....			13,462	5,599
Indonesia.....	22,046	5,040	22,046	5,040
Japan.....	27,560	7,293	27,560	7,293
Tunisia.....	43,562	10,297	2,377,241	554,271
Total.....	3,935,011	1,199,893	66,875,865	17,851,168
4219000 Oils, soybean, cottonseed, sunflower seed, and rape:				
Canada.....	10,250	1,716	401,010	51,464
Uruguay.....			350,000	41,426
Sweden.....	676,971	88,016	3,717,404	435,533
West Germany.....			1,665,829	333,958
Total.....	687,221	89,732	6,134,243	862,381
4222000 Palm oil:				
Belgium.....			124,229	16,656
Indonesia.....	791,749	69,672	1,455,801	129,463
Congo.....			4,676,846	481,830
Total.....	791,749	69,672	6,256,876	627,949
4223000 Coconut oil:				
Dominican Republic.....			4,250	517
Ceylon.....			2,059	291
Philippine Republic.....	6,115,940	1,093,350	397,133,022	47,525,154
Total.....	6,115,940	1,093,350	397,139,331	47,525,962
4224000 Palm-kernel oil:				
Denmark.....			132,276	31,497
United Kingdom.....			1,120,538	146,515
Netherlands.....	1,132,316	143,712	23,860,864	3,088,512
West Germany.....			6,713,944	815,735
Spain.....			11,023	2,608
Japan.....	418,874	51,586	3,207,693	388,883
Congo.....	2,642,476	315,107	50,081,119	6,026,372
Total.....	4,193,666	510,405	85,127,457	10,500,122
4225000 Castor oil:				
Brazil.....	10,276,248	1,031,608	92,579,891	9,315,649
Argentina.....	513,650	50,595	513,650	50,595
West Germany.....			88	173
Switzerland.....	1,102	324	3,747	1,097
India.....			33,069	4,592
Japan.....			3,263,508	382,884
Total.....	10,791,000	1,082,527	96,393,953	9,754,990
4228020 Tung oil:				
Brazil.....			1,025,234	183,256
Paraguay.....	1,143,396	236,908	11,338,399	2,600,139
Total.....	1,143,396	236,908	12,364,633	2,783,395

Mr. PURCELL. Do you know whether or not oil coming out of Venezuela is the oil that goes into Brownsville, Tex., and is hauled by truck into Mexico under bond and then under some kind of an agreement brought back out of Mexico as an importation to the United States?

Mr. CLARK. No, sir.

Mr. PURCELL. I did not understand what you said.

Mr. CLARK. Dr. Perez-Olivares states that Venezuela had no part whatsoever in that particular transaction.

Mr. PURCELL. Does he say that the oil does not come from Venezuela or that the Venezuelan Government has nothing to do with it?

The CHAIRMAN. I do not want to interrupt you, but what does oil have to do with this bill? This man came to testify about sugar, and you are asking him about oil. Unfortunately, these foreigners are not permitted to testify.

Mr. PURCELL. I have been sitting here 4 years trying to find out something about Venezuelan oil, and this is the only time I have had an opportunity to get at it.

The CHAIRMAN. You can get at it anytime you want to, but not in a sugar hearing. It seems to me we are losing time. We have a man here trying to catch a plane to New York, and we are sitting here talking about oil.

Mr. PURCELL. I will not belabor it, but I would like to point out that if this is as important a bill as you have stated there——

The CHAIRMAN. How is oil related to it?

Mr. PURCELL. I am not talking about oil, but let us take time to find out what is going on here.

The CHAIRMAN. He is giving you the trade balances. If there is any doubt about it he said he would supply you with all the information you asked him to supply.

Mr. CLARK. Mr. Chairman, could I ask your indulgence for a moment?

The CHAIRMAN. Yes, sir, but make it only a moment, and let us move on.

Mr. CLARK. Just one moment.

Mr. Purcell, Dr. Perez-Olivares advises me that we would be most willing to furnish any information you wish in order to satisfy any doubts that you may have informative wise or otherwise concerning Venezuelan oil.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Clark.

I will call Mr. Mahoney.

STATEMENT OF JOHN R. MAHONEY, REPRESENTING SOUTH AFRICAN SUGAR ASSOCIATION

Mr. MAHONEY. May I go forward, Mr. Chairman?

The CHAIRMAN. Go right ahead, sir.

Mr. MAHONEY. Mr. Chairman and members of the committee, my name is John Mahoney. I am a member of the law firm of Casey, Lane & Mittendorf of New York and London. I am appearing here today on behalf of our client, the South African Sugar Association,

which has a very vital stake in H.R. 10496, the legislation now pending before this committee.

First, I should like to introduce to you the gentleman at my right, Mr. William Barnes, and the gentleman at my left, Mr. Ernest Morrison, both of whom have come from Durban, South Africa, for the hearing. Mr. Barnes and Mr. Morrison are members of the executive committee of the South African Sugar Association.

I would also like to introduce my associate, Mr. John McGrath, who is sitting right behind us here, who is familiar to a number of you because Mr. McGrath has worked with me in this whole legislative matter.

The South African Sugar Industry has existed for over a hundred years. At present, there are 3,689 Negro, 2,144 white, and 1,820 Indian independent sugarcane growers in the industry. The location of the South Africa sugar industry is shown on the cover of the folder binding our statement.

If you will look at it for a moment you will see the green area marked there is really focused on Durban, which is the key point, commercial point, where the docks and everything are; the green area extends about 100 miles southeast, and then about 250 miles northeast of Durban, and probably 50 miles inland.

I want to emphasize that the South African Sugar Association is a purely commercial organization responsible for the marketing at home and abroad of all sugar produced in the Republic of South Africa. The association has no governmental representatives in its membership and plays no part in governmental policy decisions.

The South African Sugar Association does not come to this committee with a plea for special consideration. All we ask is that we be judged on our performance in supplying the United States when it desperately needed sugar during the emergency in 1963 and 1964. The U.S. Department of Agriculture can attest to this fact. We are pleased that H.R. 10496 which the Departments of Agriculture and State have proposed reflects recognition of consistent performance as the main criterion for the allocation of foreign quotas. As the administration has indicated, the South African Sugar Association was one of the dependable sources of supply to the United States even during those years when it could have sold sugar in the higher priced world market.

South Africa's location in the Southern Hemisphere results in our being able to harvest sugar at a different time of the year from most other U.S. suppliers. Our storage and port facilities at Durban are such that we are able to deliver sugar expeditiously the year around at the convenience of our customers. The efficiency of dispatch from the port of Durban has met the requirements of buyers at all times. Even before we recently improved our facilities, we were able to deliver the world's largest cargo, 25,490 tons of sugar, to the United States at New Orleans, in September 1964 on the SS *La Chacra*.

We have just completed the largest single bulk storage terminal in the world at the port of Durban.

If you will look just beyond my statement in the folder, you will see an aerial photograph of this terminal which has been in operation now for the last 5 months. The picture taken, I think from the south, if my geography is correct, from the southwest, shows quite a good

picture of the harbor facilities, the protected harbor facilities in Durban, although it does not show the skyscrapers that are off to the left of the picture.

Addressing yourselves to the picture, and particularly to what looks like a great big airplane hangar if you are inside it it really looks like a football field, it is as long as one of our football fields in the United States. The marshaling yards where the sugar is brought in are there to the right-hand side of the picture, and in any event, this terminal, which has a capacity of 200,000 tons, is designed to load one 10,000-ton ship every 24 hours and will handle 1 million tons of sugar in a calendar year. However, we are not standing still, but in order to improve on our already high standard of efficiency and reliability, we are even now expanding the storage capacity of this facility, which is shown in the picture, to a one-half million tons—the equivalent of 50 shiploads.

South Africa and the United States have carried on a considerable volume of trade for many years, as shown by the tables attached in appendixes B and C. During 1964, South Africa purchased among other things \$9 million worth of rice, \$6 million worth of wheat, and \$4 million worth of cotton from the United States, together with \$25 million worth of cotton thread and textile fabrics. During the first 6 months of 1965, a critical year for the United States in this area, there is already a balance of payments of \$126 million in favor of the United States. Reliable estimates indicate that for the full year 1965 the balance will exceed \$200 million in favor of the United States. That is detailed in appendix C.

South Africa has therefore been instrumental in helping to provide the United States with a second quarter total balance-of-payments surplus of \$248 million which was announced—by the Department of Commerce earlier this week.

During the last 15 years, American trade with South Africa has resulted in a balance of payments in favor of the United States of over \$1 billion. This huge balance has been a direct result of trade alone since South Africa has never asked for nor received any aid from the United States.

To summarize, against a background of considerable trade between South Africa and the United States, a record of performance which stands on its own merits and a record of reliability during those critical years 1963 and 1964 when we in South Africa and others were specifically requested by the U.S. Government to come to its aid with extra sugar, we now request that we be allowed to continue to supply sugar to the United States under a quota as proposed by this bill. We believe that the provisions of H.R. 10496 reflect a recognition of past performance and a realization of our ability to supply the U.S. market in the future, and fulfill the promises made by the U.S. Government during 1963 and 1964.

I would just say, parenthetically, I thank the chairman and the committee for being kind enough to give us the chance to appear at this time.

We would be glad to answer any questions that the chairman or any member of the committee would like to put to us in amplification of this statement. Thank you, sir.

The CHAIRMAN Thank you very much, Mr. Mahoney. Any questions?

Mr. TEAGUE of California. Just one, Mr. Chairman.

Mr. MAHONEY. Yes, sir.

Mr. TEAGUE of California. Mr. Mahoney, does South Africa have a preferential status situation with the British Commonwealth?

Mr. MAHONEY. No, sir; they do not.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. That is all. Thank you very much.

Mr. MAHONEY. Thank you, sir.

SUPPLEMENTARY STATEMENT ON BEHALF OF THE SOUTH AFRICAN SUGAR
ASSOCIATION

Importation of sugar into South Africa

During the hearings before this committee on August 18-23, 1965, the testimony submitted on behalf of several sugar producers suggested that the South African Sugar Association had purchased sugar from the Dominican Republic and Brazil at cheap, world-free market prices and exported sugar to the United States at the U.S. prices, thus profiting from the transactions at the expense of the Dominican Republic and Brazil.

The true facts of this matter are submitted by the South African Sugar Association as follows:

From November 1964 through May 1965, the South African sugar industry experienced its worst drought in 70 years. During early 1965 when the industry realized that the sugar crop would be seriously reduced, the South African Sugar Association decided unhesitatingly and at whatever cost to honor all its commitments to the United States and its contracts with Canada and Japan, all of which required sugar of South African origin. It was able to do this by readjustment with some customers and by some importations to meet the temporary needs of its domestic market. These actions fully complied with the requirements of the U.S. Sugar Act.

With the ending of the drought in June 1965, it is unnecessary even to consider more importations and South Africa will continue in 1965 to be a sizable net exporter of sugar in terms of the U.S. Sugar Act.

Swaziland

The attention of the South African Sugar Association has been drawn to the written submission made by Mr. Robert D. Larsen on behalf of the Swaziland Sugar Association to the House Agriculture Committee at the termination of the hearings. We feel obliged to submit this additional testimony to correct the record.

While the the South African Sugar Association does not oppose the allocation of a quota to Swaziland, we believe the Swaziland Sugar Association has erred in basing its request for a quota on the argument that it is entitled to a part, specifically 8½ percent, of South Africa's quota in the United States.

During 1963 and 1964, while South Africa and Swaziland marketed all their sugar jointly through the South African Sugar Association, between 6½ and 7½ percent of the total sugar marketed was produced in Swaziland. When the joint marketing arrangements were terminated in December 1964, Swaziland was not given a percentage of each of the then existing markets, but instead Swaziland, by written agreement, obtained the entire future United Kingdom market which was equal to approximately 10 percent of the total sugar marketed jointly. Now, after having obtained the entire United Kingdom market Swaziland is attempting to obtain, in addition, 8½ percent of other South African markets in disregard of the arrangements agreed to at the time.

(Discussion off the record.)

The CHAIRMAN. We will go ahead with the meeting on Monday morning at 10 o'clock.

(Whereupon, at 5:10 p.m., the subcommittee recessed to reconvene on Monday, August 23, 1965 at 10 a.m.)

AMEND AND EXTEND THE SUGAR ACT OF 1948

MONDAY, AUGUST 23, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10:20 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Morrison, Matsunaga, O'Neal, Stalbaum, de la Garza, Vigorito, Greigg, Callan, Mrs. May, Findley, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will come to order, please.

At the request of some of the witnesses who have been listed on the witness list, I will change the order, and I will call first Mr. Robert Farrington, representing the Republic of China. We are delighted to have you. I might say for those who are not familiar with you, that we have worked with Mr. Farrington here in the Capital for a great many long years.

I know that you have appeared before this committee many, many times Mr. Farrington and that you are held in the highest esteem by all of the members of the committee and of the House of Representatives. We are very glad to have you here and to hear from you now.

Let me go off the record.

(Discussion off the record.)

The CHAIRMAN. You may proceed, Mr. Farrington.

STATEMENT OF ROBERT L. FARRINGTON, ON BEHALF OF THE REPUBLIC OF CHINA

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 1155 15th Street NW., Washington, D.C. I am appearing in the interests of the Republic of China, a longstanding friend of the United States and for many years a dependable source of sugar supply for the United States.

China's basic quota under the 1962 amendment to the Sugar Act of 1948 was 38,114 short tons for the year 1963, plus a global quota allocation of 33,155 tons—a total of 71,269 short tons. For 1964, China was given a basic quota of 34,042 short tons, plus global quota allocations of 47,114 short tons, or a total of 81,156 short tons. For 1965, the proration to China stands at 69,819 short tons.

It is a point worthy of note in considering China's performance record that in 1963 and 1964 the world market price was generally always above the U.S. market price. China has, however, consistently fulfilled its basic quota and when the United States needed sugar, has also applied for allocations under the global quota plan.

The Republic is deeply grateful to the United States, and particularly to this committee, the State Department, and the Department of Agriculture for an important share in that portion of U.S. sugar needs obtained from foreign sources. We submit, however, as we did in our testimony in 1962, that China's longstanding record of performance in supplying sugar to the United States, and China's relative standing in world sugar production and export capability, justify increased allotments, percentagewise, in that part of U.S. sugar which it is necessary for the United States to obtain from foreign countries.

China hopes also that she will receive equal treatment with other sugar-producing countries when the United States needs additional sugar to fill any unexpected deficits in U.S. sugar supply.

When we were privileged to appear before this committee regarding the proposed amendments to the Sugar Act in 1962, we made the point illustrated by a schedule, that in terms of sugar production and export capability China ranked much higher on the list than it did with regard to the portion of the foreign quota allocated to China. The same situation still prevails.

It is respectfully urged that this information be taken into consideration by this committee in determining the basic quota provided for China in the legislation now under consideration.

It is further submitted that China's record of performance and her export capability justify a basic quota of at least 300,000 tons.

The specification in this proposed new law of a larger basic quota, more in line with China's actual production and export capability, would add stability both to the sugar industry in China and to the assurance of supply for the United States.

It is well known to this committee that the island of Taiwan is the principal area of agricultural and industrial production for the Republic of China at the present time. Taiwan has a land area of 13,835 square miles, a little over $2\frac{1}{2}$ times the size of Connecticut. It had a population of 12,535,000 at the end of 1964—about five times that of Connecticut.

The agricultural population in 1963 was about 5,611,000 or almost one-half of the total population. About two-thirds of the sugarcane farms are owned by the growers and the farms consist, on the average, of about 1.04 acres. The average farm family is about six to seven persons.

Notwithstanding much industrial development in Taiwan during the past 3 years, sugar remains the island's most important crop, and about one and one-quarter million people depend upon it for a livelihood. Exchange earnings from sugar exports amounted to around \$135 million in 1964, or about 30 percent of the revenue from total exports. About 86 percent of the sugar is exported, mostly to the Middle East and Far East countries where Taiwan continues to be faced with constant economic warfare from the Communists, due in part to Cuban sugar production.

A larger volume of sugar purchases by the United States from China would also help in maintaining China's remarkable economic growth which has been particularly in evidence since 1959. For example, China's gross national product, in U.S. dollar equivalent was 1.34 billions in 1959 and was estimated at 2.36 billions in 1964, an increase of more than 75 percent in 5 years.

When we appeared before this committee to testify on the proposed Sugar Act Amendments of 1962, we showed the trade balances between China and the United States for 1960 and the first 6 months of 1961. The situation in the 1961-64 period was as follows:

Year	Imports from United States	Exports to United States	Balance in favor of United States
1961.....	\$139,804,000	\$51,503,000	\$88,301,000
1962.....	141,342,000	58,594,000	82,748,000
1963.....	150,920,000	58,170,000	92,750,000
1964.....	146,090,000	84,019,000	62,071,000

A breakdown of the major U.S. agricultural commodities involved, as shown by the U.S. Bureau of Census, of 1961-63, and the Bank of Taiwan exchange settlements for 1964, is as follows: .

(The chart referred to follows:)

U.S. exports of agricultural commodities to the Republic of China

[In thousands of U.S. dollars]

Commodity group	1961	Unit, 1962	1963	1964
Cotton.....	26,112	30,643	26,529	21,855
Oilseeds (mostly soybeans).....	14,047	9,317	14,026	18,501
Grains.....	16,225	17,584	28,250	17,485
Animal fat.....	2,377	2,394	3,482	6,471
Tobacco.....	2,439	3,090	2,630	2,121
Soybean oil.....	543	1,059	390	1,808
Dairy products.....	525	839	482	350

Mr. FARRINGTON. As of July 1, 1965, the United States discontinued economic aid to China. In order that the Republic of China may continue to be a good customer of the United States, it is only equitable that China be given the opportunity to earn more dollars through trade with the United States in order to offset the present unfavorable balance between the two nations.

Mr. Chairman, I have enjoyed the opportunity of appearing before this committee again. If there are questions, I shall do my best to answer them.

The CHAIRMAN. Thank you very much, Mr. Farrington, for your very fine statement.

Mr. FARRINGTON. Thank you.

Mr. FINDLEY. May I ask a question?

The CHAIRMAN. No, sir—I will not recognize you.

Mr. FINDLEY. Mr. Chairman——

The CHAIRMAN. Yes, sir. I will call another witness.

Mr. FINDLEY. A parliamentary inquiry. Am I to be ruled out of order for any questions?

The CHAIRMAN. Along the lines that you started on last week; yes.

Mr. FINDLEY. I will be glad to—

The CHAIRMAN. Confine your remarks to sugar and that will be all right.

Mr. FINDLEY. May I state to you the questions that I would like to ask?

The CHAIRMAN. You will have to abide by the rules of this committee and not try to castigate witnesses as happened last week. You are not permitted to follow that line of questioning.

Mr. FINDLEY. How do you know what I am going to ask when you do not know what my questions are?

The CHAIRMAN. What is the question you would like to ask?

Mr. FINDLEY. I have no intention of asking the same question that I asked last Friday. I want to ask about sugar legislation, how it affects his clients. I want to ask him if his clients would still wish a quota if changes are made with regard to import duties and the recapture part or feature, such as that.

The CHAIRMAN. That is perfectly all right. Come back, Mr. Farrington.

Mr. FINDLEY. Mr. Farrington, the sugar report document which reached my desk this morning indicates that the United States, that is, the domestic price of raw sugar has averaged about 3.5 cents a pound over world price the last 6 months. Taking off the duty which is roughly six-tenths of 1 cent a pound, this would mean a price advantage of about 2.9 cents a pound for those foreign interests who get quotas. Is this fairly close—is this an accurate summary?

Mr. FARRINGTON. I am not an expert on sugar prices, Mr. Findley, but I would assume that it is; yes, sir.

Mr. FINDLEY. This would mean about \$58 per ton price advantage for those who get a quota. If the one-half recapture feature were restored as originally proposed to be in the so-called industry agreement, by how much would reduce a quota premium—can you give us an estimate of that, please?

Mr. FARRINGTON. Oh, I do not believe I could.

Mr. FINDLEY. Would it reduce the quota premiums to such an extent that your clients would not be interested in a quota?

Mr. FARRINGTON. I am not in a position to say that that is true—no—I think that China might still be interested in a quota, certainly.

Mr. FINDLEY. If the duty on a shipper were raised to, say, \$2 a hundredweight, instead of the present 60-odd cents a hundredweight, do you feel that your clients would still be interested in a quota?

Mr. FARRINGTON. I cannot commit my clients on that point, sir.

Mr. FINDLEY. The way that I would compute it there would still be about 1.5 cents a pound quota premium. What I am trying to get at, Mr. Farrington, is what is the least quota premium which would be considered attractive to your clients?

Mr. FARRINGTON. I would have to confer with them. I cannot answer that question. I just do not know.

Mr. FINDLEY. But we may assume that your clients would be interested if the recapture provision is restored to the legislation?

Mr. FARRINGTON. We would still be interested in the quota yes, sir.

Mr. FINDLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Hagen of California.

Mr. HAGEN of California. If you were—when you deliver Taiwan sugar, where do you deliver it, in New Orleans, or where?

Mr. FARRINGTON. In the room is Mr. T. W. Hu who is with the Chinese Embassy. May I ask him to join me here and see if he can answer some of these questions?

The CHAIRMAN. Yes.

Mr. FARRINGTON. I think that a great deal of it is delivered in New Orleans and some in New York.

Mr. HAGEN of California. Can you lay down that sugar at the refinery as cheaply as that that comes in from South and Central America?

Mr. FARRINGTON. What is your question?

Mr. HAGEN of California. Can you lay it down as cheaply at the U.S. refinery as that which comes in from Central or South America?

Mr. FARRINGTON. I think so; yes, sir.

Mr. HAGEN of California. Is there not a great freight differential? It is a long distance from Taiwan.

Mr. HU. Not very much difference.

Mr. HAGEN of California. Not that much difference?

Mr. HU. No.

Mr. HAGEN of California. In the event that there would be a difference, who would bear that cost?

Mr. HU. We would.

Mr. FARRINGTON. China would.

Mr. HU. China would have to bear it.

Mr. HAGEN of California. In other words, you would agree to pay the freight or you would receive a lower price and the buyer would absorb the freight?

Mr. FARRINGTON. That is correct.

Mr. HAGEN of California. Is China's production cost about the same as in the Western Hemisphere?

Mr. FARRINGTON. Mr. Hagen, I do not think that the production costs are any higher here than they are in the Western Hemisphere.

Mr. HAGEN of California. I wonder if you could give us an answer to this question—you may or may not be able to do it now—what is the break-even price for the distributor, the producer in Free China?

Mr. FARRINGTON. He does not want to give it. He does not know.

Mr. HAGEN of California. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Farrington.

Mr. FINDLEY. May I ask a couple more questions?

The CHAIRMAN. Yes, sir.

Mr. FINDLEY. On page 1 of your statement, Mr. Farrington, you state:

China has, however, consistently fulfilled its basic quota, and when the United States needed sugar, has also applied for allocation under the global quota plan.

Can you state whether this is done at a financial loss?

Mr. FARRINGTON. It could have been sold higher elsewhere in many instances. China preferred to fulfill its quota to the United States.

Mr. FINDLEY. Were you able to make money on the transaction?

Mr. FARRINGTON. I assume that there was some money made, yes, sir.

Mr. FINDLEY. And was not the filling of the quota a matter of firm contract?

Mr. FARRINGTON. Well, it was a matter of cooperating with the United States when they needed sugar and a matter of a good merchant trying to take care of his customer.

Mr. FINDLEY. You do not feel that it was a matter of filling a firm contract then?

Mr. FARRINGTON. No; I do not think that it was a matter of a firm contract.

Mr. FINDLEY. Not a matter of a firm contract?

Mr. FARRINGTON. It was a matter of wanting to have a good record of performance with the United States.

Mr. FINDLEY. Can you tell us how you arrived at your 300,000-ton figure as being the portion that you feel that the Republic of China is entitled to?

Mr. FARRINGTON. It seemed to us, in view of China's record of production and its record of exports, that 300,000 tons would be an equitable figure.

Mr. FINDLEY. Did you try to balance this off on the requests of the other countries?

Mr. FARRINGTON. We are looking primarily at China.

Mr. FINDLEY. I was wondering if there was a conference with other representatives of other countries on that point?

Mr. FARRINGTON. No.

Mr. FINDLEY. Am I correct in estimating that the price advantage or the quota premium value to the Republic of China on 300,000 tons would be about \$17 million?

Mr. FARRINGTON. I would not know.

Mr. FINDLEY. Would that figure be high or low?

Mr. FARRINGTON. We could not give an estimate without some calculations on it.

Mr. FINDLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Farrington.

We will now call on Mr. Robert C. Barnard on behalf of the Australian sugar industry.

Mr. BARNARD. May I introduce Mr. Otto Wolfensberger, who is chairman of the sugar board, from Queensland, Australia, who, with your permission, will sit beside me at the table.

The CHAIRMAN. We are very glad to have him here.

We shall be glad to hear from you now.

STATEMENT OF ROBERT C. BARNARD, ON BEHALF OF THE AUSTRALIAN SUGAR INDUSTRY; ACCOMPANIED BY OTTO WOLFENSBERGER, CHAIRMAN, THE SUGAR BOARD, QUEENSLAND, AUSTRALIA

Mr. BARNARD. Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am very glad of the opportunity to appear before this committee for the Colonial Sugar Refining Co. on behalf of the Queensland Sugar Board and the Australian sugar industry including the Australian Cane Growers Association and the Australian Sugar Producers Association.

I would like to submit my prepared statement for the record and to summarize briefly the reasons why we believe that Australia merits consideration as a continuing supplier of sugar to the United States.

The CHAIRMAN. Without objection the request is granted, and the statement will be included in the record.

(The prepared statement of Robert C. Barnard follows:)

STATEMENT OF ROBERT C. BARNARD ON BEHALF OF THE AUSTRALIAN SUGAR INDUSTRY

Chairman Cooley and members of the committee, my name is Robert C. Barnard. I am very glad of the opportunity to appear before this committee for the Colonial Sugar Refining Co. on behalf of the Queensland Sugar Board and the Australian sugar industry including the Australian Cane Growers Association and the Australian Sugar Producers Association.

The Australian sugar industry deeply appreciated the opportunity to supply sugar first accorded it by the Congress in 1961 and 1962. I am glad to be able to report that Australia has been able to show since that time that it is a reliable supplier. In 1963 and 1964, when a shortage forced world sugar prices above U.S. prices, the Australian industry lived up to the confidence placed in it by the Congress by supplying more global quota sugar to the United States in that 2-year period than any other country.

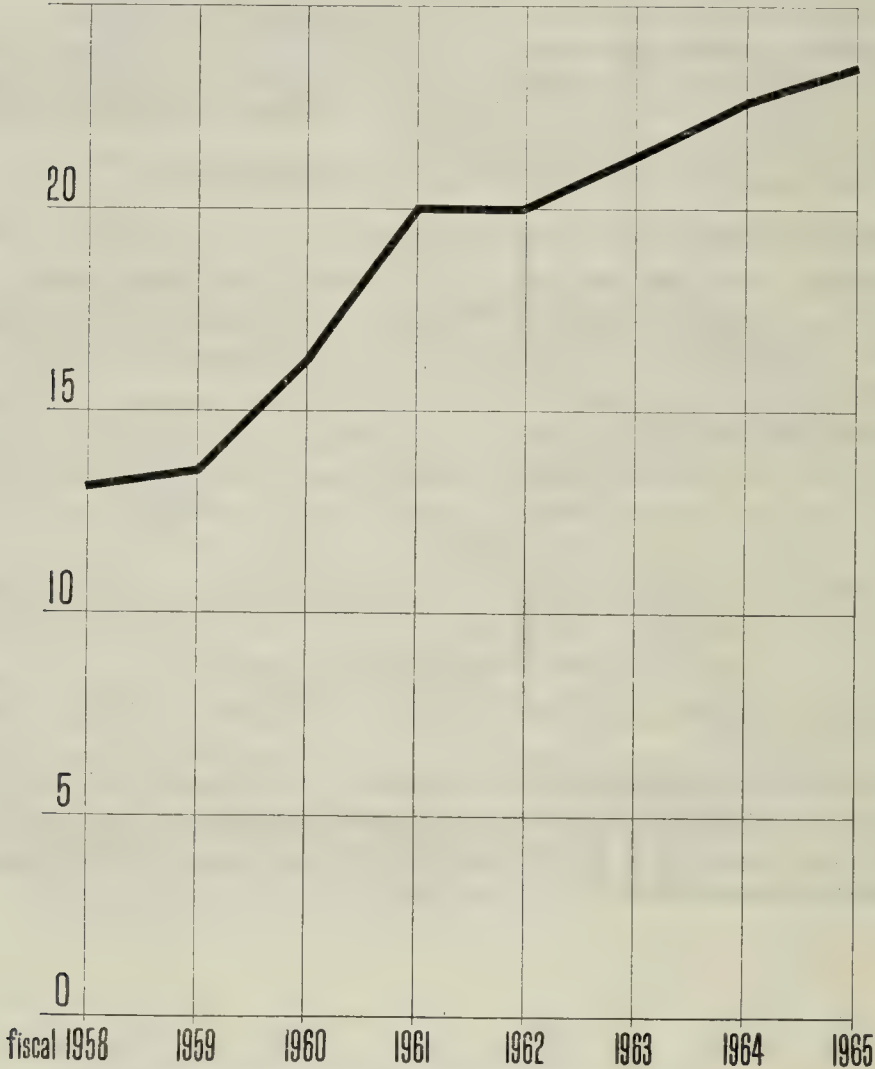
To supply when a higher price could have been obtained on the world market is, I believe, a good index of reliability. I feel confident that this committee and the Congress, in deciding on sugar quotas, will want to take into account Australia's performance as a reliable United States sugar supplier.

There are significant reasons, in addition to reliability as a supplier, which demonstrate that Australia merits consideration as a significant supplier of sugar to the United States.

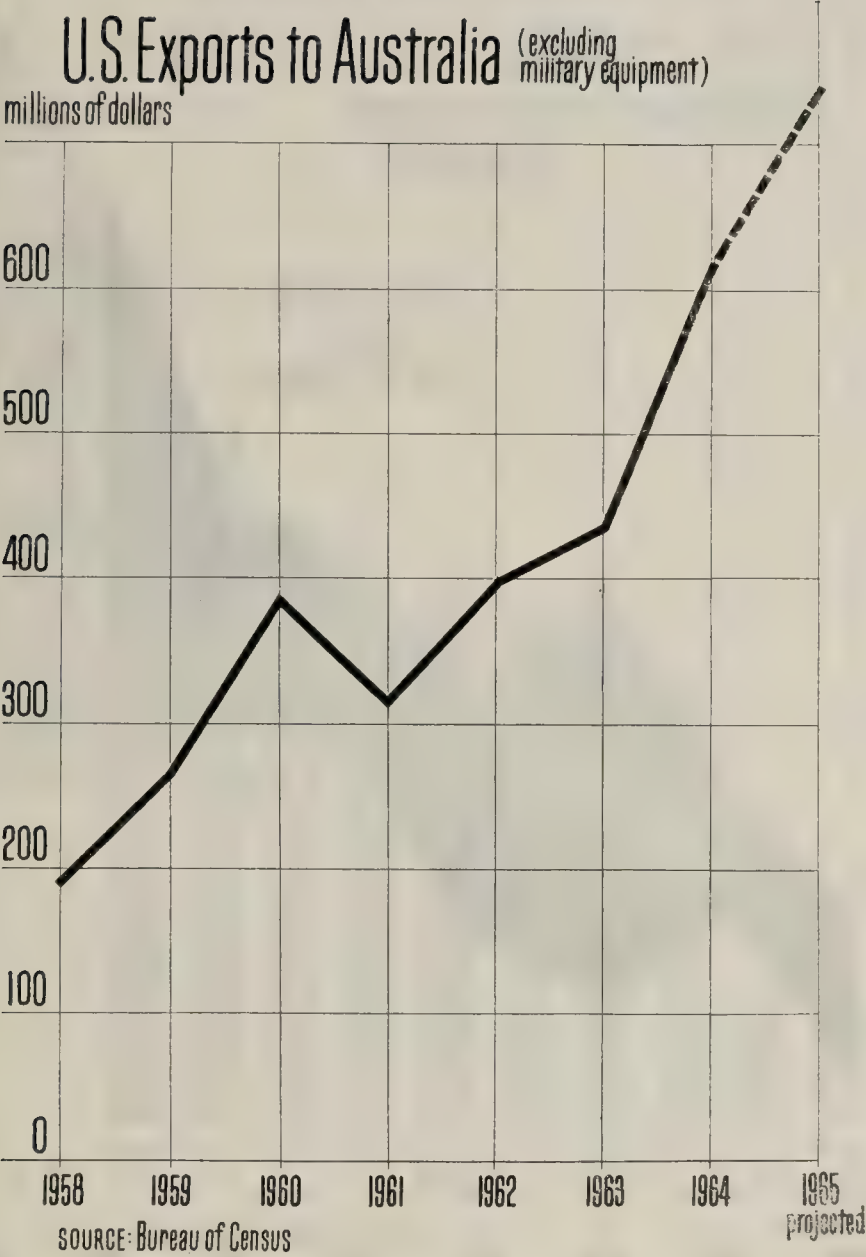
The United States and Australia have always enjoyed very close ties. Aside from their common heritage and the similarities of their political and economic past, the two countries were allies in both World Wars and in Korea. They have since developed even closer relations as members of ANZUS, the Mutual Security Treaty uniting the United States, Australia, and New Zealand, and as members of SEATO (Southeast Asia Treaty Organization).

United States Share of Australian Imports

% of total imports



SOURCE: Commonwealth Bureau of Census & Statistics; Canberra, Australia



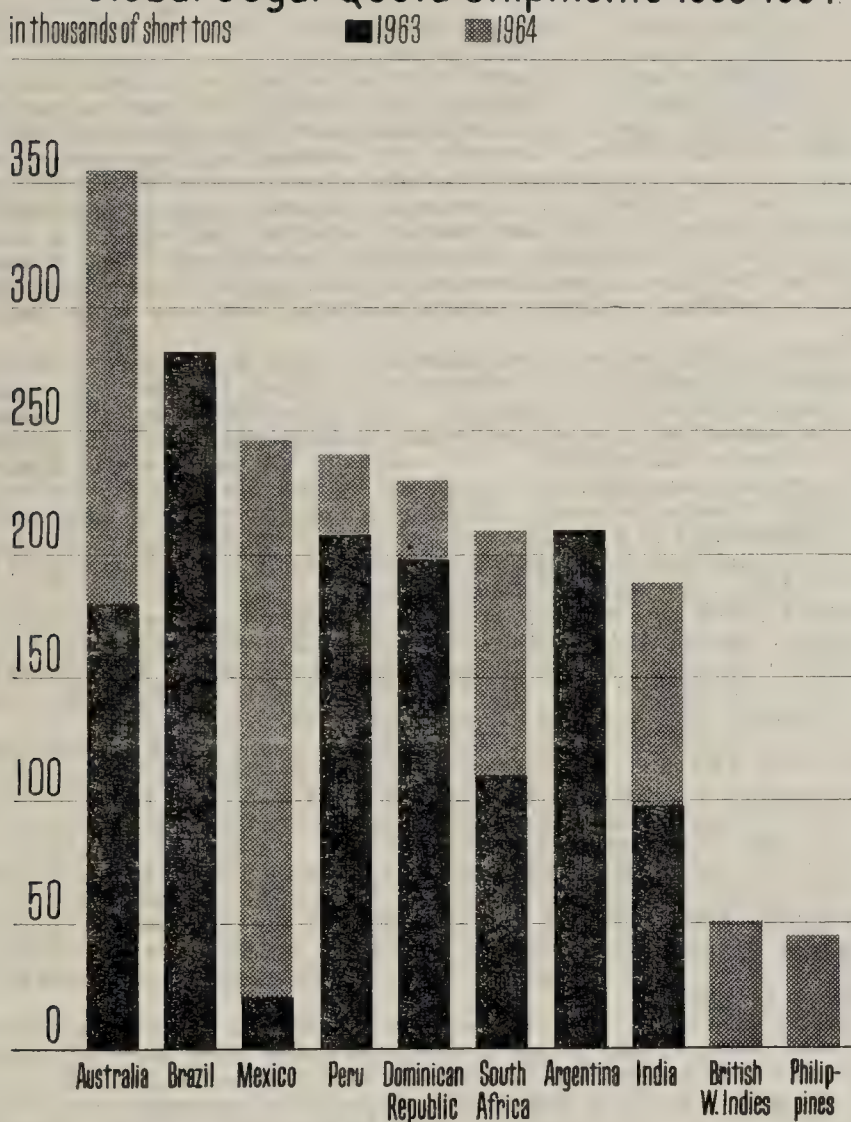
U.S.-Australian Trade Balance

millions of dollars



Global Sugar Quota Shipments 1963-1964

in thousands of short tons



SOURCE: U.S. Department of Agriculture

At the present time Australia has troops beside those of the United States in South Vietnam. Since 1962 Australia has supplied military and economic assistance to South Vietnam. Like their American counterparts, Australian soldiers initially acted as battle advisors to South Vietnam units, and Australia now has a fighting force in action.

In recent years, the close ties that have joined the United States and Australia as allies have been further strengthened by the rapidly growing trade that is now bringing these two democracies closer together economically. Today, the United States is second only to Great Britain as a source for Australian imports, accounting in fiscal 1965 for over 23.9 percent of Australian imports. Indeed, if the present trend continues, the United States may soon surpass Great Britain as Australia's No. 1 supplier. The chart on the opposite page shows the development of America's share in the Australian market. Between 1958 and 1965 the U.S. share has risen from 13.2 to 23.9 percent.

The real significance of this growth lies in the increase in the actual volume of United States exports to Australia. As shown by the chart on the opposite page, United States exports to Australia have more than tripled since 1958, rising from \$190 to \$626 million. Recently, the increase has been even more pronounced—1964 exports to Australia exceeded our exports in 1963 by \$189 million, an increase of over 40 percent. A projection of 1965 exports to Australia, based on published figures for the first quarter, indicates that exports to Australia will amount to \$737 million, an increase of 18 percent over 1964. It should be emphasized that these figures, large as they are, do not include the substantial amounts of military equipment which Australia purchases from the United States.

Australian purchases from the United States will doubtless continue to grow if Australia's opportunities of earning vital export income from sugar and other major commodities also expand. In October 1963, the Royal Australian Air Force announced it was purchasing 24 American-built F-111 bombers at a cost in excess of \$120 million. In all, Australia will purchase over \$600 million of military hardware from the United States over the next 4 years including three guided missile destroyers. These purchases represent a substantial Australian commitment to United States exports. In addition, Australia has also made large purchases in the past and is continuing to purchase United States aircraft for its overseas and internal airlines.

Australia purchases not only military hardware but also agricultural and other goods. Among the sugar quota countries, Australia is one of the United States best customers for agricultural goods and otherwise. The United States is also a major supplier of a wide range of materials and equipment for Australian industry such as machinery, chemicals, vehicles, and sulphur.

U.S. exports are growing and the United States enjoys a very favorable balance of trade with Australia. In 1964, as shown by the chart on the opposite page, Australia suffered a deficit of \$352 million in its trade with the United States. One index of the growing United States trade is the fact that Australia's trade deficit in 1964 was almost triple that of 1963. Australia's cumulative trade deficit for the period 1958-64 exceeds \$1.1 billion. The trade position during 1965 shows even further deterioration. Projections of published U.S. trade figures for the first quarter of 1965 indicate that the calendar 1965 deficit will exceed \$470 million. This estimate is probably conservative inasmuch as the adverse balance of trade during the Australian fiscal year ended June 30, 1965, has risen to \$471 million.

In order to maintain its purchases from the United States, Australia must depend on exports. From the point of view of world trade, Australia has much in common with the developing countries inasmuch as its foreign trade is largely dependent upon exports of agricultural and mineral commodities. While the subject is not before the committee, it may be noted that the United States for domestic reasons has limited United States purchases of important Australian export products. These limitations have widened Australia's trade deficit with the United States and have made it increasingly difficult for Australia to support its growing purchases from the United States.

As Australia's third most important export to the United States, sugar offers a good way for the United States to increase its imports from Australia without any risk of injury to United States domestic interests.

In a large sense, sugar imports will benefit all United States exporters and Australia. Australia's sugar is grown and milled primarily in the State of Queensland, where the sugar industry is the principal economic activity. The

10,000 independent cane farmers have individual farms averaging 80 acres, and on 80 percent of these farms, no other crop can be grown economically. The farmers themselves cooperatively own 13 of Australia's 34 sugar mills. In all, several hundred thousand Australians in sugar growing areas alone depend on the sugar industry for their livelihood. And, in fact, the sugar industry is important to the entire Australian economy.

The development of the sugar industry in Queensland has brought about intensive settlement along 1,300 miles of Australia's tropical northeast coast and the development of roads, airfields, ports, and communications. The development by the sugar industry of this isolated area of the South Pacific is of strategic importance to Australia, the United States, and the rest of the free world. Indeed, it was facilities developed for the sugar industry in Queensland which assisted General MacArthur to mount speedily the offensive that turned the tide in the Pacific in World War II.

The Australian sugar industry is one of the most efficient in the world. This year its production will be about $2\frac{1}{4}$ million tons of raw sugar, and more than two-thirds of this production will be exported. Australia has become the free world's largest sugar exporter.

As the free world's largest sugar exporter, Australia has developed modern mechanized bulk export facilities. Since 1963, bulk sugar storage capacity at Australia's 6 sugar ports has been increased more than 75 percent and now has a capacity of 1.4 million tons. This is almost 60 percent of total production. These 6 sugar ports are fully mechanized. This permits a 15,000-ton cargo to be loaded in less than 24 hours as compared with the 3 weeks that it takes to load such a cargo manually. The bulk terminals are operated by permanent sugar industry employees only and since the first bulk terminal came into operation in 1957, there has never been a delay in a sugar shipment from these ports due to a labor dispute or any other cause. These bulk terminals and mechanized loading facilities assure Australia's regular sugar customers of ready supply and speedy shipment.

I said at the outset that the Australian sugar industry offers the United States the advantages of a stable, reliable supplier. Let me give you some of the facts about the period when the world price rose above the U.S. price. During the 1963-64 sugar shortage, the Australian sugar industry committed more global quota sugar to the United States than any other country in the world. As shown on the chart opposite, Australia supplied 355,000 tons under the global quota during the 1963-64 period—180,000 tons in 1963 and 175,000 tons in 1964. This represented 10.5 percent of the global quota sugar supplied in 1963 and 17.6 percent in 1964. In each of these years Australia not only filled its statutory quota, but made global shipments totaling more than four times its statutory quota. In all, Australia supplied the United States with 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964.

On a long-term basis Australia can make available 400,000 short tons of raw sugar each year for the United States without expanding existing acreage or mill facilities and still meet the needs of other established markets. Although we are willing and able to supply this amount of sugar to the United States, we are hesitant to propose a specific figure as a fair quota for Australia. However, in his letter to President Johnson on March 12, 1965, Prime Minister Menzies pointed out that "the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter."

We suggest that Australia's record demonstrates that as a minimum Australia should be permitted to continue to supply a part of the U.S. foreign sugar requirements comparable to that it supplied in 1963-64 when sugar was in short supply. While the formula proposed by the administration is a fair one, I would like to point out that the amount of sugar Australia will be permitted to supply under this bill is about 30,000 tons less than the some 220,000 tons per year which Australia delivered in the 1963-64 shortage period. Furthermore, we feel that Australia's record entitles it to participate in the growth in the market on the same basis as other foreign suppliers rather than on the restricted basis proposed in H.R. 10496.

I would also like to point out that under the existing law and under H.R. 10496 Australia is not permitted to participate in deficit reallocations. Certainly its storage facilities and record for reliability recommend Australia as a reliable source from which to fill U.S. sugar deficits. In view of the recent world shortage, I believe the committee will wish to consider the salutary effect Australia deficit participation would have in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the U.S. market.

To summarize briefly :

1. *Reliability*.—In both 1963 and 1964, the Australian industry supplied some 220,000 tons of sugar per year to the U.S. market, despite the fact that higher prices could have been obtained on the world market.

2. *U.S. export market*.—Australia is a valued and significant customer, whose purchases from the United States have increased rapidly in recent years.

3. *A significant customer of the United States*.—Among the full duty countries, Australia is the second largest cash purchaser from the United States both of agricultural products and other goods.

4. *U.S. favorable trade balance*.—The United States had a favorable balance of trade with Australia of over \$352 million in 1964 and a cumulative favorable balance of \$1.1 billion for the period 1958-64. For Australia this large and growing trade deficit makes it increasingly difficult to support its growing purchases from the United States.

5. *Significance of sugar to Australia*.—Although Australia needs to increase its exports to the United States in order to be able to maintain its increasing purchases, U.S. domestic problems have made it necessary to curb purchases of certain major Australian exports. Sugar presents an excellent means for the United States to increase its purchases from Australia without any risk of injury to U.S. domestic interests.

6. *Ally*.—Australia is a valued ally that has cooperated fully with the United States in the defense of southeast Asia and the South Pacific.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

Mr. BARNARD. The Australian sugar industry deeply appreciated the opportunity to supply sugar to the United States first quoted by the Congress in 1961 and 1962. I am glad to be able to report that during 1963 and 1964, when a shortage forced the world sugar price above the U.S. price, the Australian industry lived up to the confidence placed in it by the Congress by supplying more global quota sugar to the United States in that 2-year period than any other country.

Australia and the United States have always enjoyed very close ties. Aside from our common heritage, we were allies in both world wars and in Korea. Since then the two countries have developed even closer relations as members of the ANZUS mutual security group and the Southeast Asia Treaty Organization (SEATO). Since 1962 Australia has rendered economic and military assistance to South Vietnam and at the present time Australian forces there are once again fighting alongside American forces.

Last week, Mr. Chairman, it was announced in Australia that Australia is increasing its defense commitments and its troops to Vietnam, which it is supplying to Vietnam. And instead of going into details, Mr. Chairman, may I submit for the record a clipping from the New York Times announcing the arms increase and an editorial from the Washington Post applauding Australia's increased commitment of troops to Vietnam?

The CHAIRMAN. Certainly, without objection they may be inserted into the record.

(The newspaper articles referred to follow:)

[From the Washington Post, Aug. 19, 1965]

AUSTRALIA'S ROLE

Australia's decision to send more troops to South Vietnam, to up its defense budget and to give more support to Malaysia signal the country's larger role in the Pacific.

This increased participation in enterprises of such importance to the United States and other free nations will be applauded heartily in this country. The significance of these added contributions to military strength in the Pacific exceeds their substantial practical amounts of added power. They call attention to the presence of a rising world power on the widening stage of world affairs. There are even more important indices of this power's rapid growth and increasing maturity in the rate of its industrial development, the breath of view exhibited by its political leaders and the alteration of many of its earlier and narrower positions on affairs of concern to the world.

The United States and Australia are bound together by a common inheritance of Western tradition, by a shared experience in the conquest of new lands and by a similar outlook on the world. So the evidences of the growing stature of Australia will please Americans generally.

[From the New York Times, Aug. 18, 1965]

AUSTRALIA PLANS ARMS FUND RISE

27-PERCENT INCREASE LAID TO WARS IN VIETNAM AND MALAYSIA

(By Tillman Durdin)

SYDNEY, AUSTRALIA, August 17.—Federal Treasurer Harold Holt jolted Australians tonight by presenting a budget that provides for heavily increased expenditures, particularly for defense.

Mr. Holt cited Australia's participation in the fighting in Vietnam and Malaysia and the expansion of her military force. Higher income, excise, and sales taxes are to pay for a 27-percent rise in defense spending.

The 1965-66 budget, as outlined in Parliament in Canberra, provides for roughly a 10-percent increase in overall expenditures, to a total of £2,667 million (\$6,074,080,000). Of this total, defense spending will take £386 million (\$764,640,000), up more sharply than any other item in the budget.

Described as a guns-before-fun budget, the outline specified a 2.5-percent increase in income taxes and higher rates on gasoline, cigarettes, and alcoholic beverages.

Much of the new military equipment being bought abroad has been ordered from the United States. It includes a squadron of supersonic F-111 strike-reconnaissance aircraft, other planes for the air force and the navy, and two new destroyers.

Included in the defense expenditures, Mr. Holt told Parliament, is \$21,280,000 to provide military equipment and training assistance for Malaysia over the next 2 years.

Mr. Holt's budget came under immediate attack from the Labor Party leader, Arthur Calwell, who asserted that two-thirds of the tax increase consisted of indirect levies and thus fell heavily on the least wealthy citizens.

Pointing out that expenditures would exceed revenue by \$286,728,000, Mr. Holt said there were plans to make up \$168 million through loans. He admitted that inflationary pressure would result from the deficit spending and said he expected Australia's flourishing economy to slack off in the coming year.

The stiff budget may be counterbalanced to an extent through increased trade with New Zealand. Details disclosed today indicated that the free-trade agreement negotiated last week between Australia and New Zealand was more comprehensive than generally believed.

Statements issued in Wellington and Canberra disclosed that 60 percent of the total trade between the countries was covered in the agreement, which calls for the lifting of import duties.

For New Zealand this means that 80 percent of her exports to Australia—worth \$44 million—will enter Australia duty free. For Australia, roughly half her exports to New Zealand—worth \$89 million—will enter New Zealand duty free.

Mr. BARNARD. Thank you, Mr. Chairman. Australia is a very significant U.S. customer. In recent years the close ties between the United States and Australia have been further strengthened by rapidly growing trade between these two democracies. We have tried to show the economic relations between the two countries by a series of charts. This first chart (see p. 266) shows the development of America's share in the Australian market. As you can see, it has grown substantially from 13.2 percent in fiscal 1958 to 23.9 percent in the year ending June 30, 1965. Today, the U.S. share is second only to that of Great Britain as Australia's No. 1 supplier.

In terms of the actual volume of U.S. exports to Australia, the growth has been even more substantial. The second chart (see p. 267) shows that U.S. exports have more than tripled since 1958—rising from \$190 to \$626 million. Recently, the increase has been even more pronounced—in 1964, exports to Australia increased \$189 million over 1963 and the 1965 projection—which is based upon published figures for the first quarter—indicates that our exports to Australia will increase over \$100 million this year alone to well over \$700 million.

Also I should point out, these export figures do not include the substantial amounts of military equipment which Australia purchases from the United States. Due to its defense commitments—including those in South Vietnam and the rest of southeast Asia—Australia's planned defense budget will virtually double between 1963-64 and 1967-68. This will involve large purchases of equipment, the bulk of which will come from the United States.

Over the next 4 years Australia will purchase over \$600 million of military hardware from the United States including, among other equipment, 24 F-111 bombers and 3 guided-missile destroyers.

As this next chart (see p. 268) shows, the United States enjoys a very favorable—and ever increasing—trade balance with Australia. In 1964 alone, Australia suffered a trade deficit of \$352 million in its trade with the United States and the projected deficit for 1965 exceeds \$470 million.

Australia's 1964 trade deficit was almost triple that of 1963 and its cumulative trade deficit with the United States for the period 1958-65 exceeds \$1.1 billion.

Mr. Chairman, this chart understates the amount of the trade deficit, because it does not include the military equipment that I referred to a moment ago, the purchases which have been so substantial in the United States.

May I say a word about the significance of sugar to Australia? I am here representing the Australia sugar industry. I do not represent the Government. However, I have recently received a letter from the Australian Ambassador stressing on behalf of his Government that a "substantial sugar quota for the Australian industry is a matter of very great importance" to Australia. With the Chairman's permission, I would like to submit the Ambassador's letter for the record.

The Chairman. Without objection, that may be entered into the record.

(The letter dated August 18, 1965, from the Australian Embassy, Washington, D.C., follows:)

AUSTRALIAN EMBASSY,
Washington, D.C., August 18, 1965.

MR. ROBERT C. BARNARD,
Cleary, Gottlieb, Steen & Hamilton,
Washington, D.C.

DEAR MR. BARNARD: Thank you for your letter of August 18.

You may be assured that the question of a substantial sugar quota for the Australian industry is a matter of very great importance to my Government.

It is the view of the Australian Government that entitlement to an adequate quota for the Australian industry can be justified entirely on the grounds of commercial equity and the ability of the Australian industry to compete with other world producers. I would emphasize here that the Australian industry, which is stable and well organized, enjoys an enviable international reputation as an efficient and reliable supplier.

It will be recalled that during the recent world shortage of sugar the Australian industry made special efforts to meet the difficulties of the United States, often at prices lower than could have been obtained on the world market. In fact, Australia was the major foreign supplier under the global quota allocations which operated over the period 1962-64. However, I feel obliged to point out that the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

In addition there are, of course, other relevant considerations. For instance:

The development of some 1,300 miles of the northeastern coastline of Australia—a strategically important area—has been virtually based on the sugar industry and the continued development of the region depends very largely on this industry.

In a world of regulated markets, the need for assured access to the world's largest market must continue to be a matter of vital concern to both the Australian Government and the domestic industry.

You will also be aware of the close trade ties existing between Australia and the United States. Over recent years there has been a rapid expansion of U.S. exports to Australia, which is the fastest-growing of the U.S. major commercial markets. However, Australia has found that its efforts to expand exports to the United States of major Australian commodities have often been impeded.

A substantial sugar quota for Australia would be a direct and material recognition of the high value to be attached to sound and enduring economic relations between the United States and Australia.

You will no doubt be aware that earlier this year the Prime Minister wrote to President Johnson on certain subjects of mutual interest to the United States and Australia. The Prime Minister's letter referred to some of the matters I have mentioned. I am therefore attaching for your information a copy of this letter and of the reply received from the President, which were reported to the Commonwealth Parliament at the time.

Yours sincerely,

J. K. WALLER, *Ambassador.*

UNITED STATES-AUSTRALIAN FINANCIAL RELATIONS

BALANCE OF PAYMENTS

Exchange of letters between the Australian Prime Minister and the President
of the United States

In the Australian Federal House of Representatives, Canberra, on April 1, 1965, the Australian Prime Minister, Sir Robert Menzies, laid before Members of the House a letter he had written to President Johnson on March 12 and the President's reply of March 24 relating to the possible effects of measures taken by the U.S. Government to improve its balance-of-payments position.

AUSTRALIAN LETTER

The text of the letter of March 12 Sir Robert Menzies sent to President Johnson was as follows:

"MR. PRESIDENT: This note is designed to be direct and clear, as it should be in a communication to one whose friendship I value, and whose sympathetic understanding of Australia and her problems we have great reason to appreciate.

"Since you informed Congress on February 11, 1965, of the measures you proposed to take to improve the external payments position of the United States I have been studying, with my colleagues in the Australian Government, the likely effects of those measures upon our situation, abroad and at home.

"So far as we can see, Australia does not come within the several reservations stated by you and designed to lessen the impact of your measures upon various countries such as Canada, Japan, the United Kingdom, and others more generally described as developing countries.

"I feel I should say to you that while we fully and warmly understand the reasons for the action your administration is taking to deal with its balance-of-payments problem, we fear that this action as it now stands could have adverse effects on Australia which we imagine it would be no part of the United States intention to inflict.

"When the interest equalization tax was first announced, we pointed out to the U.S. administration our interests in the matter but did not seek exemption from it.

"Amongst other reasons, we wanted to avoid the embarrassment this might have caused your administration in its negotiations with certain other countries on this matter.

"We do not seek exemption from the tax now, but we do wish to bring to your notice the facts of our economic situation which will be relevant to the administration of the system of voluntary restraint to which U.S. investors are being asked to conform in making decisions about investments abroad.

"Australia is not a 'developed' country in the sense that the mature, capital-exporting, and highly industrialized countries of Europe are developed.

"On the contrary, we have an immense task of developing a relatively under-populated continent which, while rich in some resources, presents in other respects most formidable difficulties of climate, terrain, and distance.

"As yet we have a population of little more than 11 million people. Like the United States in earlier years, we are endeavoring to build our numbers up by large-scale immigration. But this effort necessarily adds to our capital needs.

"Although by now we have achieved a large and varied production of goods, and in fact generate from our own savings more than four-fifths of the capital we require, we must perforce rely heavily on export earnings and on capital inflow to obtain abroad additional resources for growth.

"Australia is a free-enterprise economy that has welcomed private overseas investment and treated it with exactly the same consideration that it gives to private investment of Australian origin.

"Moreover, Australia has joined with other free-world countries in measures to promote freer international trade and payments and, to this end, maintains an 'open' economy with practically no quantitative restrictions on imports and no restrictions on current payments.

"Although subject to formal control, repatriation of capital invested in Australia is not, in practice, refused. Being predominantly an exporter of primary products, Australia experiences large fluctuations in the amount of her export receipts and, being in a phase of rapid development, normally has a deficit in her current balance of payments. Though this varies from one year to another, it has to be covered by net capital inflow. By far the greater part of this has comprised private overseas investment in Australia.

"In the 8 years from 1956-57 to 1963-64 the accumulated deficit on current account amounted to \$2,417 million.

"During that period, the annual inflow of private overseas investment (including undistributed income) in companies in Australia totaled \$3,022 million, of which \$1,147 million came from the United States and Canada—most of it from the United States.

"Ordinarily Australia has a large current account deficit with the United States. In 1962-63 Australia's exports to the United States totaled \$297 million while her imports from the United States amounted to \$478 million. Her net invisible payments to the United States in that year were \$181.2 million giving a deficit on current account of \$362.2 million.

"In 1963-64, with exports of \$312.9 million, imports of \$559.9 million and net invisible payments of \$194.7 million, her current account deficit with the United States rose to \$441.7 million.

"In the half year to December 1964 Australia's recorded exports to the United States were \$153.2 million compared with \$180.3 million for the same period of 1963, a decline of 15 percent, whereas Australia's recorded imports from the United States increased as between these two periods from \$273.7 million to \$392 million, a rise of 43 percent.

"In this connection, we feel constrained to point to the contrast between the rapid expansion of United States exports to Australia—Australia now being the fastest growing of the United States major commercial markets—and the manner in which United States policies impede Australian efforts to expand exports to the United States of some major Australian export commodities.

"The United States, alone among major trading countries, maintains a very high tariff on raw wool, despite many representations and negotiations aimed at reduction or elimination of duty; quotas imposed on lead and zinc in 1958 remain unchanged despite a greatly improved world market situation; United States domestic legislation imposes limitations on, and creates uncertainties for, the Australian export trade in meat; the continuance of access for Australian sugar is uncertain and the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

"In 1963-64 these commodities accounted for 81 percent of total Australian exports to the United States. They are the products on which Australia must chiefly depend if a significant expansion of exports to the United States is to be achieved and if the progressive deterioration in our trade and payments balances with the United States is to be arrested and redressed. Yet, with respect to each of them, U.S. restrictions of one and of another prevent or impede expansion.

"This current account deficit with the United States has been offset in part by capital inflow from the United States, most of it on private account.

"In 1962-63 the annual inflow from the United States and Canada (by far the greater part being from the United States) of private overseas investment (including undistributed income) in companies in Australia was \$201.6 million, and this increased to \$220.2 million in 1963-64.

"In the latter year, the inflow from the United States and Canada was not far short of half of the total of \$481.6 million of private overseas investment in companies in Australia.

"To turn now to our immediate situation, it is a fact that in 1963-64 Australia's export production was high and for most exports reasonably good prices were received. Capital inflow was strong and our external reserves were strengthened.

"For the present financial year, however, the prospects are much less favorable. Export prices have fallen, local demand for imports has been strong and, although capital inflow has been fairly well sustained, it is certain that substantial drawings will be made on our external reserves. These seem certain to decline over the year as a whole by appreciably more than £A100 million (\$224 million). For the financial year ahead, the signs point to a continued drain on our external reserves.

"We have greatly enlarged our defense programs and this will entail substantial additions to overseas payments for defense equipment and supplies.

"Overseas expenditure in 1965-66 and latter years arising from existing defense commitments and the new 3-year defense program is estimated at about £A400 million (or the equivalent of about \$880 million), of which about £A250 million (or some \$550 million) will relate to procurement in the United States.

"Although recent arrangements reached with you to phase payments for some major items over a longer period will ease the burden to some extent, it will still be considerable. At the time we undertook these commitments we had no reason to anticipate that our payments position vis-a-vis the United States would be altered for the worse by action of the kind you have since announced.

"An additional consideration is that the Australian Government has commitments of nearly \$200 million in the United States over the next 5 years in respect of debt maturities and sinking fund commitments. This figure is exclusive of installation repayments of approximately \$130 million due to the International Bank over that period.

"Although a relatively large-scale importer of capital, Australia is nevertheless a donor and not a recipient of international aid.

"Australia has, in fact, played her full part in various international aid arrangements and also provides a considerable amount of aid, both civil and military, on a bilateral basis to less-developed countries.

"The development of Papua and New Guinea is a prime Australian responsibility and one that is making large and increasing calls on Australia's resources. Requests for additional aid are being received from other developing countries as well and, in most cases, are met to the best of our ability. Our recent gift of wheat to India worth nearly \$9 million is a case in point. These all add to the pressures on our external resources.

"In what at present appears to be a deteriorating balance of payments situation, any substantial falling off in capital inflow would be a matter of serious concern to the Australian Government.

"Furthermore, since we hold the bulk of our external reserves in sterling, any drawings we have to make on our reserves will tend to increase Britain's balance of payments difficulties which are, of course, a matter of international concern.

"In drawing attention to these facts, the Australian Government hopes that, in setting overseas investment targets for United States banks and other businesses, the administration will take full account of the Australian situation and will not take action likely to result in any substantial reduction in the flow of private American capital to this country.

"This is not to say that we would oppose the issue by U.S. investors of some equity capital in their subsidiaries here to finance new investment in this country: indeed it would accord with an attitude we have frequently expressed.

"We have made it clear on many occasions in the past that we think it desirable for oversea investors to take in Australian investors as partners in businesses established in Australia. On the other hand, however, we would be troubled and embarrassed if United States investors were to begin repatriating capital, substantially increasing the proportion of profits remitted or adding largely to their fixed-interest borrowings or other forms of capital raising in Australia which gave Australian investors no equity share in the businesses in question.

"Developments such as these could very well force upon us the need to reconsider the policies we have hitherto followed in these areas. This we should regard as regrettable in the extreme, especially if it resulted in a conflict of policies, with subsequent confusion in, and disruption of, established and greatly valued financial and commercial relationships between our two countries.

"Our own policies in these important fields have, we believe, had the encouragement and approval of successive U.S. administrations.

"We should like to think that it will be possible to continue them without detriment to ourselves and without impairing the effect of the policies you find necessary to strengthen your own balance of payments and uphold the world standing of the dollar.

"I am, Mr. President, and with warm personal regards,

"Yours sincerely,

"R. G. MENZIES."

U.S. PRESIDENT'S REPLY

The text of President Johnson's reply of March 24 was as follows:

"DEAR MR. PRIME MINISTER: We have now had a chance to give careful study to your letter of March 12 concerning the effect on Australia of our balance of payments program.

"We fully understand the importance that your Government attaches to this matter, and appreciate the frankness with which you expressed your concern.

"I am grateful, too, for your sympathetic understanding of the reasons which impelled us to take forceful action.

"We think it fair to claim that because of the special role of the dollar in international monetary arrangements, early and substantial improvement in the U.S. balance of payments is in the interest not only of the United States, but also of the entire free world.

"We are determined to eliminate the U.S. international deficit, and I am happy to be able to say that the February 10 program already appears to be taking hold.

"We understand, of course, that external capital is of great importance to Australia.

"In terms of the high standard of living of the Australian people, and the remarkable pace of advance during the past decade, Australia must be counted one of the advanced countries of the world. But as you point out, yours is a country with a great potential for further development.

"As an old friend and ally, we have watched with admiration your record of achievement, and we know the importance of continued Australian success. We attach high value to the good economic relations between Australia and the United States.

"In the present instance, we believe after careful review, that our balance of payments program is not likely to have a serious adverse effect on the Australian economy.

"The part of the program supervised by the Secretary of Commerce is designed to avoid any undue disruption in the growth of sound business relationships.

"Indeed, I understand that certain large direct investments in the production of iron ore in Australia are planned for the near future. And in the case of loans by our banks and financial corporations, we intend to emphasize primarily the need to curb the outflow of such funds to industrialized countries already rich in reserves.

"We believe, therefore, that this program will not impose undue strain on Australia. But it is always possible that specific actions under a program of this sort can have consequences for a friend that outweigh their value to the general program.

"I have asked the Secretary of the Treasury and the Secretary of Commerce to give a careful hearing to Australia's view in any particular case which might be of this sort.

"On our general commercial relations, I can assure you again that a reduction in trade barriers, in agriculture as well as in industry, is a prime objective of U.S. policy.

"As I wrote you last August, our negotiators in the Kennedy round will bend every effort to help bring the Geneva negotiations to a successful conclusion.

"Again, let me thank you for your letter and for your forthright statements of views.

"Sincerely,

"LYNDON B. JOHNSON."

Mr. BARNARD. In order to maintain and increase its purchases from the United States, Australia must depend on exports. From the point of view of world trade, Australia is largely dependent upon exports of agricultural and mineral commodities. Although the subject is not before this committee, it may be noted that the United States has for domestic reasons significantly limited United States purchase of important Australian export products. While Australia understands that particular domestic situations may sometimes call for the imposition of limitations, nevertheless these limitations have widened Australia's trade deficit with the United States and have made it increasingly difficult for Australia to support its growing purchases in the United States.

As Australia's third most important export to the United States, sugar offers a good way for the United States to increase its imports from Australia without any risk of injury to United States domestic interests. In a large sense, sugar imports will benefit all United States exporters as well as Australia. And when I say Australia, I mean the 10,000 independent farmers who raise the cane in Australia. The hundreds of thousands of people in the sugar area whose livelihood is related directly or indirectly to sugar and, indeed, the entire Australian economy.

May I say a word about Australia's capacity to ship and to store sugar?

This year the Australian sugar industry will produce about 2¼ million tons of raw sugar, two-thirds of which will be exported. As the free world's largest sugar exporter, the Australian industry has developed modern storage and mechanized port facilities. Australia's bulk storage capacity is 1.4 million tons, almost 60 percent of total

production. A 15,000-ton cargo ship can be loaded in less than 24 hours compared with the 3 weeks it takes to load manually.

Australia's large storage capacity and its mechanized bulk export facilities assure its regular sugar customers of ready supply and speedy shipment.

The Australian sugar industry offers the United States the advantages of a stable, reliable supplier. I believe Australia's record under the present act speaks for itself in this regard. There was a sugar shortage during 1963 and 1964 and the world price of sugar rose above the U.S. price. Yet during this 2-year period, the Australian sugar industry supplied more global quota sugar to the United States than any other supplier. As the principal supplier of global quota sugar during this period, Australia ranks first among the countries which Undersecretary Schnittker said suffered "a substantial loss of revenue by sending sugar to the United States in that period." To supply when a higher price could have been obtained on the world market is, I believe, a good index of reliability.

As the last chart (see p. 269) shows, Australia supplied 180,000 tons of global quota sugar in 1963 and 175,000 tons in 1964 for a total of 355,000 tons in the 1963-64 period. In each of these years Australia not only filled its statutory quota, but made global quota shipments amounting to more than four times its statutory quota. In all Australia supplied 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964.

I feel confident that in deciding on sugar quotas this committee and the Congress will want to take into account Australia's demonstrated performance as a reliable United States sugar supplier.

May I say a word about the sugar quota. On a long-term basis Australia has the capability of making available 400,000 tons of raw sugar for the United States each year. We are willing and able to supply this amount. In his letter to President Johnson on March 12, 1965, Prime Minister Menzies pointed out that—

the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

We suggest that Australia's record demonstrates that as a minimum Australia should be permitted to continue to supply a part of United States foreign sugar requirements on a basis comparable to that it supplied in 1963 and 1964, when sugar was in short supply. While the formula proposed by the administration is certainly a fair one, I would like to point out that the amount of sugar Australia will be permitted to supply under the bill is nearly 30,000 tons less than the some 220,000 tons per year which Australia delivered in the 1963-64 shortage period. Furthermore, we feel that Australia's record entitles it to participate in the growth in the market on the same basis as other foreign suppliers, rather than on the restricted basis proposed in H.R. 10496.

Finally, I would also like to point out that under the existing law and under H.R. 10496 Australia is not permitted to participate in deficit reallocations. Certainly its storage facilities and record recommend Australia as a reliable source from which to fill U.S. sugar deficits. In view of the recent world shortage, I believe the committee will wish to consider the salutary effect Australia deficit participa-

tion would have in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the United States market.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

The CHAIRMAN. Thank you, Mr. Barnard. You have a very well prepared statement which I assume you will be very helpful to the committee. I would like to ask you to comment on the global quota question.

Mr. BARNARD. Yes, sir.

The CHAIRMAN. You have before you, do you not, information that indicates that Brazil in 1963 shipped to the United States markets more than any other country?

Mr. BARNARD. That is correct, sir.

The CHAIRMAN. What happened in 1964? Do you know?

Mr. BARNARD. She shipped no global sugar into this country; yes, sir. I cannot speak for that—I do not know why.

The CHAIRMAN. My recollection of it is that the testimony indicated that they had some sort of a drought or something like that, but in Australia you delivered in 1963 more than in 1964?

Mr. BARNARD. Yes, sir.

The CHAIRMAN. You delivered more than in 1964?

Mr. BARNARD. Yes.

The CHAIRMAN. And Mexico, in 1964, apparently, almost caught up with Brazil?

Mr. BARNARD. That is correct, sir.

The CHAIRMAN. That is all. Are there any other questions?

Mr. FINDLEY. Mr. Chairman—

The CHAIRMAN. The Chair recognizes Mr. Stalbaum.

Mr. STALBAUM. In the figures on page 10 of your printed statement you erroneously said it supplied about 300,000 tons, but the figure is printed as 30,000 tons.

Mr. BARNARD. I am sorry if I said 300,000 tons—30,000 tons is the correct number.

Mr. STALBAUM. That is what I thought. You would like your testimony to be corrected?

Mr. BARNARD. I would like it to be correct; yes sir. It is in error. Thank you very much.

Mr. FINDLEY. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. FINDLEY. On page 10 of your statement you state—

furthermore, we feel that Australia's record entitles it to participate in the growth in the market on the same basis as other foreign suppliers rather than on the restricted basis proposed in H.R. 10496.

Would you elaborate on that?

Mr. BARNARD. Yes, sir; H.R. 10496, in the provisions beginning on page 5, and then also on page 6, restricts Australia's participation in the growth in the U.S. market both in terms of percentage and otherwise. It is a formula which permits Australia to participate on a reduced percentage basis in the growth of the U.S. market as distinguished from foreign suppliers in the Western Hemisphere and other foreign suppliers who participate fully on the percentage basis in the growth in the U.S. market.

Mr. FINDLEY. The advantage or preferential treatment is not limited to the suppliers in the Western Hemisphere?

Mr. BARNARD. There are a number of suppliers outside of the Western Hemisphere that participate on a full-growth basis also.

Mr. FINDLEY. Can you give the committee any explanation as to why Australia should be so treated?

Mr. BARNARD. I have had no part in the drafting of this, sir. The only surmise that I can make is that there were some assumptions that these were more developed countries, and hence there should be a restriction on the limitation in growth.

Mr. FINDLEY. You heard my question to Mr. Farrington?

Mr. BARNARD. Yes.

Mr. FINDLEY. Is my estimate of \$58 a ton reasonably accurate as to the value of the quota premium you would anticipate under this bill?

Mr. BARNARD. I think that depends upon what the world price is at any one moment. It changes from time to time. I do not see how one could forecast what the premium would be over the period of the bill.

Mr. FINDLEY. Based on last year's prices, would that be fairly close to the actual figure?

Mr. BARNARD. I have not done the arithmetic for the past year, but I would accept your arithmetic if you have done it.

Mr. FINDLEY. Would Australia be interested in a sugar quota if the recapture provision, assuming it to be at the one-half level, is placed in the legislation?

Mr. BARNARD. The decision whether or not to have the recapture provision appears to us to be a matter of the U.S. domestic policy on which I do not think that it is appropriate for a foreign supplier to comment on. Obviously, we prefer the administration's or the committee's recommendation that there be no such recapture. We are interested in supplying this market on a fair and reasonable basis and we hope that that is the basis on which we can do so.

Mr. FINDLEY. If the import duty is raised, say, to \$2 a hundred-weight, do you anticipate that Australia would be interested in a quota?

Mr. BARNARD. Australia is interested in supplying this market on the basis which the United States concludes as fair and reasonable. Whether or not 2 cents would result in a fair and reasonable basis is very difficult for me to say at the moment, because it would depend on a lot of factors.

Mr. FINDLEY. Mr. Barnard, one final question. You were hoping that the quota will be, at least 200,000 tons, am I correct?

Mr. BARNARD. Yes, sir.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Mr. Hagen of California.

Mr. HAGEN of California. With respect to the Australian domestic consumption, do you have any price protection or other protection for the Australian producers?

Mr. BARNARD. Yes, sir.

Mr. HAGEN of California. What does it consist of?

Mr. BARNARD. The price at which sugar is sold in the Australian market, I think, is substantially the same as the price for the market in the United States.

Mr. HAGEN of California. How is that accomplished?

Mr. BARNARD. It is done in a way that is somewhat like the method in this country.

Mr. HAGEN of California. There is no import of foreign sugar?

Mr. BARNARD. No; there is not.

Mr. HAGEN of California. It is precluded?

Mr. BARNARD. I do not know that it is precluded in Australia—it is such a substantial producer itself that there is no reason for imports.

Mr. HAGEN of California. If there would be no protection there would be that possibility?

Mr. BARNARD. We would suppose that there might be, yes.

Mr. HAGEN of California. You, probably, have a system of import quotas or something similar.

Mr. BARNARD. I am advised that there is some restriction of imports, yes.

Mr. HAGEN of California. How do you maintain the price?

Mr. BARNARD. It is on the basis of the quantities available for sale on the market.

Mr. HAGEN of California. With respect to this recapture provision, this differential import fee, would the U.S. refiners increase their profits through reduction or elimination of the charge?

Mr. BARNARD. The U.S. refiners under the recapture clause, and at the present time, as I understand it, pay the price in the United States which is the U.S. price adjusted for tariff and freight.

Mr. HAGEN of California. In other words, the elimination of the import duties—the recapture fee—would be of sole benefit to the foreign suppliers, is that correct?

Mr. BARNARD. I believe that is correct, sir.

Mr. HAGEN of California. Is there any competition, pricewise, for your sugar—there are several sellers in Australia and elsewhere and there are many U.S. buyers.

Mr. BARNARD. There is a single seller on behalf of the Australian sugar, but the sugar is sold in competition with other suppliers, yes.

Mr. HAGEN of California. How much price competition is there?

Mr. BARNARD. There is a regular market in the United States, sir, on which the sugar is quoted and the price fluctuates in the United States.

Mr. HAGEN of California. Is it a posted price with no price competition or does a refiner here go to specific supplier X and say, "I will buy all of your sugar at 4 cents a pound," and if he does that, then there would be some competition?

Mr. BARNARD. I am not aware of any supplier who sells his entire output on that basis. My understanding is that there is competition as the sugar is offered for sale in the U.S. market. The price depends upon the price going at the time that the sale occurs.

Mr. HAGEN of California. I do not think that this committee and I, certainly, do not really understand this price mechanism in relation to these foreign suppliers.

The CHAIRMAN. I think the point is that everybody in the sugar market knows the price of sugar. It is there in the quotations. It is offered and bid on.

Mr. BARNARD. That is correct.

The CHAIRMAN. And in 1963 the market went up to a higher price.

Mr. BARNARD. That is correct.

Mr. HAGEN of California. Every U.S. purchaser pays the same price for sugar?

Mr. BARNARD. The price will fluctuate within a given period of time. Every morning, as the prices are reported in the press, you will see that there is a fluctuation in the price from the previous day. Every day is perhaps an exaggeration, but the price fluctuations are regular in the market and they are quoted in the press.

Mr. HAGEN of California. So then in the context of the quota system the U.S. refiners do try to get the best price?

Mr. BARNARD. Of course, they do.

Mr. HAGEN of California. And they do that by dealing or trading off one foreign buyer or seller against another?

Mr. BARNARD. That is correct.

Mr. HAGEN of California. Thank you.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. On your Australian trade balance figures, I notice that 1963 imports to the United States look about \$310 million and then they drop to about \$170 million. Was this on meat products?

Mr. BARNARD. I do not think that it is made of any one product. There was a decline in a number of things. I could supply you with the actual figures, if you would like.

Mr. CALLAN. I would like to know if this is primarily meat products.

Mr. BARNARD. I will be glad to supply you with the figures.

(The information referred to follows:)

CLEARY, GOTTLIEB, STEIN & HAMILTON,
Washington, D.C., August 23, 1965.

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: During the course of my testimony today, Representative Callan noted that United States imports from Australia had fallen from \$314.4 million in 1963 to \$273.9 million in 1964 and asked the extent to which this decline was the result of a decline in United States imports of meat from Australia. Inasmuch as I did not have this information available at that time, Representative Callan requested that I submit it for the record.

The following information is submitted for the record pursuant to Representative Callan's request:

According to Bureau of Census trade statistics, the United States imported \$128.5 million worth of meat from Australia in 1964 as compared with the \$177.1 million worth of meat imported from Australia in 1963. This represents a reduction of \$48.6 million (or 27.4 percent) in United States meat imports from Australia in 1964.

The United States total imports from Australia declined from \$314.4 million in 1963 to \$273.9 million in 1964, a difference of \$40.5 million. Thus, the \$48.6 million reduction in United States imports of Australian meat more than accounts for the \$40.5 million reduction in the United States' total imports from Australia in 1964 as compared with 1963.

Mr. Chairman, I appreciate the opportunity which you and Representative Callan have accorded me to submit this information for the record.

Respectfully,

ROBERT C. BARNARD.

The CHAIRMAN. Mr. Stalbaum.

Mr. STALBAUM. Mr. Barnard, in establishing the quotas for the others was there any weight given for 1964?

Mr. BARNARD. As I understand it, it gives double weight for 1964.

Mr. STALBAUM. Not for 1963?

Mr. BARNARD. Single weight for 1963 and double weight for 1964.

Mr. STALBAUM. Do you feel that the situation was more severe in 1964 than in 1963?

Mr. BARNARD. I know that at the end of 1963 and early 1964 there was a considerable concern about sugar supplies into the U.S. markets. And it was at that time that the telegram was sent out which the chairman referred to urging foreign nations to come forward with supplies for the U.S. market. I think that the maximum differential between the U.S. price and the world price occurred toward the end of 1963 and the beginning of 1964.

Mr. STALBAUM. Thank you.

The CHAIRMAN. Thank you very much.

(The following statement was supplied by Mr. Barnard:)

SUPPLEMENTARY STATEMENT OF ROBERT C. BARNARD

In the course of the hearings questions were asked regarding trade in tobacco with the United States. Because of the interest in this matter I have prepared a brief statement relating to Australian purchases of U.S. tobacco.

Over the years Australia has purchased a significant quantity of tobacco from the United States. Australia also grows tobacco. This year the Australian Government adopted a stabilization plan for tobacco under which the poundage of leaf grown in Australia that may be marketed is strictly limited. The stabilization law fixes the amount of Australian leaf that may be marketed in Australia over the next 4 years at 26 million pounds per annum without any provision for increase. This amount specified in the law compares with 31.5 million pounds of tobacco marketed in 1964. The stabilization plan, therefore, amounts to a positive cutback of 17 percent in the marketing of Australian tobacco.

This stabilization plan fixes the annual marketing quota in absolute amounts and the quota is broken down into individual farm quotas. It will be the individual farm marketing quota which will be the regulator of Australian production in the future. In view of the cutback in the marketing of Australian leaf, U.S. growers should benefit from these new arrangements.

In this regard, it is interesting to note that a significant amount of land has been taken out of tobacco and has been put into sugar.

I have also prepared and there are attached three charts comparing Australian purchases of tobacco from the United States in 1964 with the purchases of the six principal Western Hemisphere sugar suppliers (suppliers with a quota under H.R. 10496 in excess of 50,000 tons).

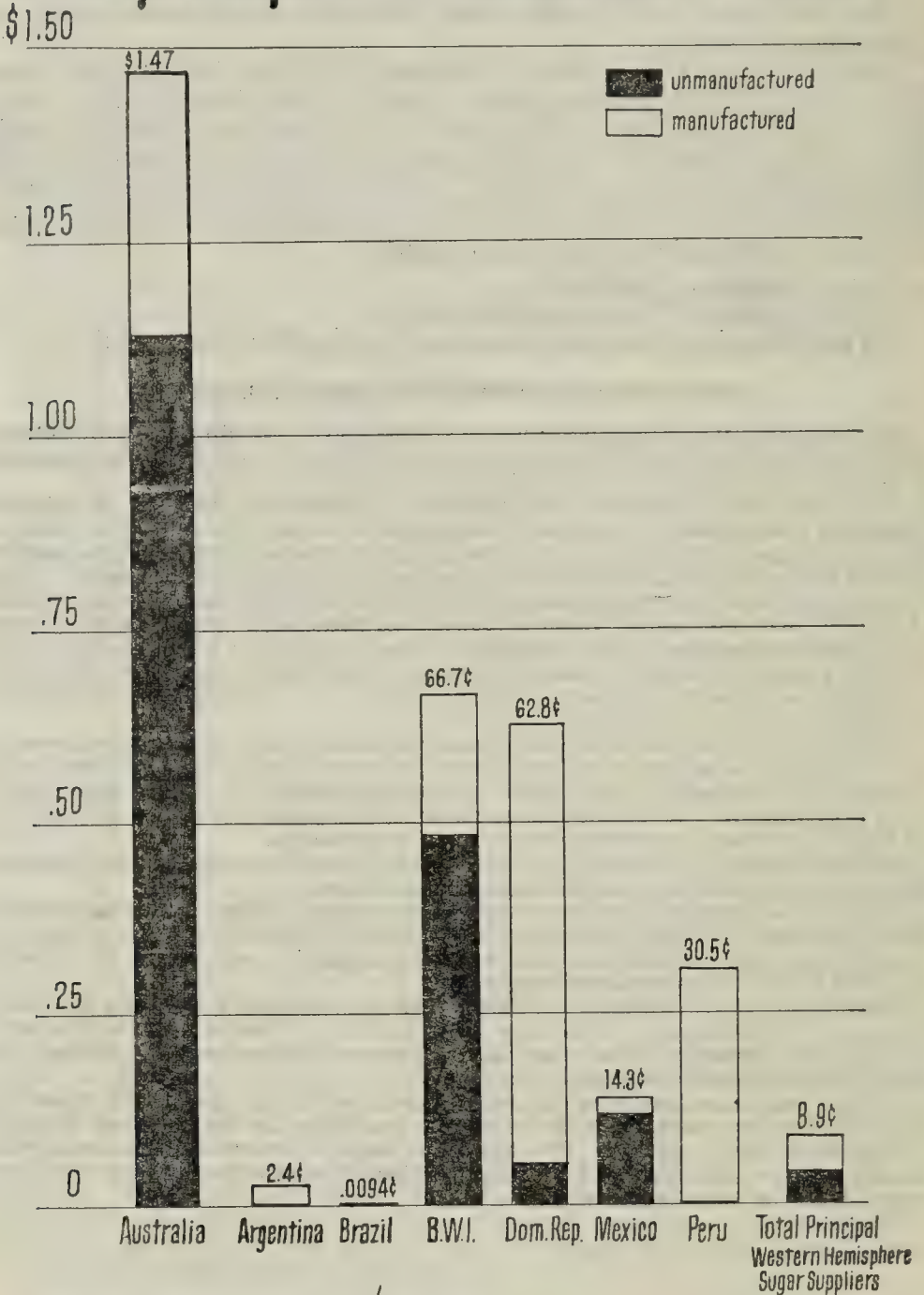
The first chart shows that in 1964 Australia imported more than 15 times as much U.S. tobacco per capita as the 6 principal Western Hemisphere suppliers taken together. The chart also compares the per capita purchases of particular countries with that of Australia.

The second chart compares the total amount of tobacco purchased from the United States by Australia with the amount purchased by the principal Western Hemisphere sugar suppliers. The total purchases of Australia alone are significantly greater than those of the six principal Western Hemisphere suppliers individually or taken together.

The third chart makes a similar comparison of purchases of Flue-cured tobacco from the United States. This chart shows that Australia purchased more than six times as much as the six principal Western Hemisphere suppliers combined purchased from the United States.

It should also be pointed out that with respect to all agricultural products, Australia is the second largest cash purchaser from the United States among the full-duty countries.

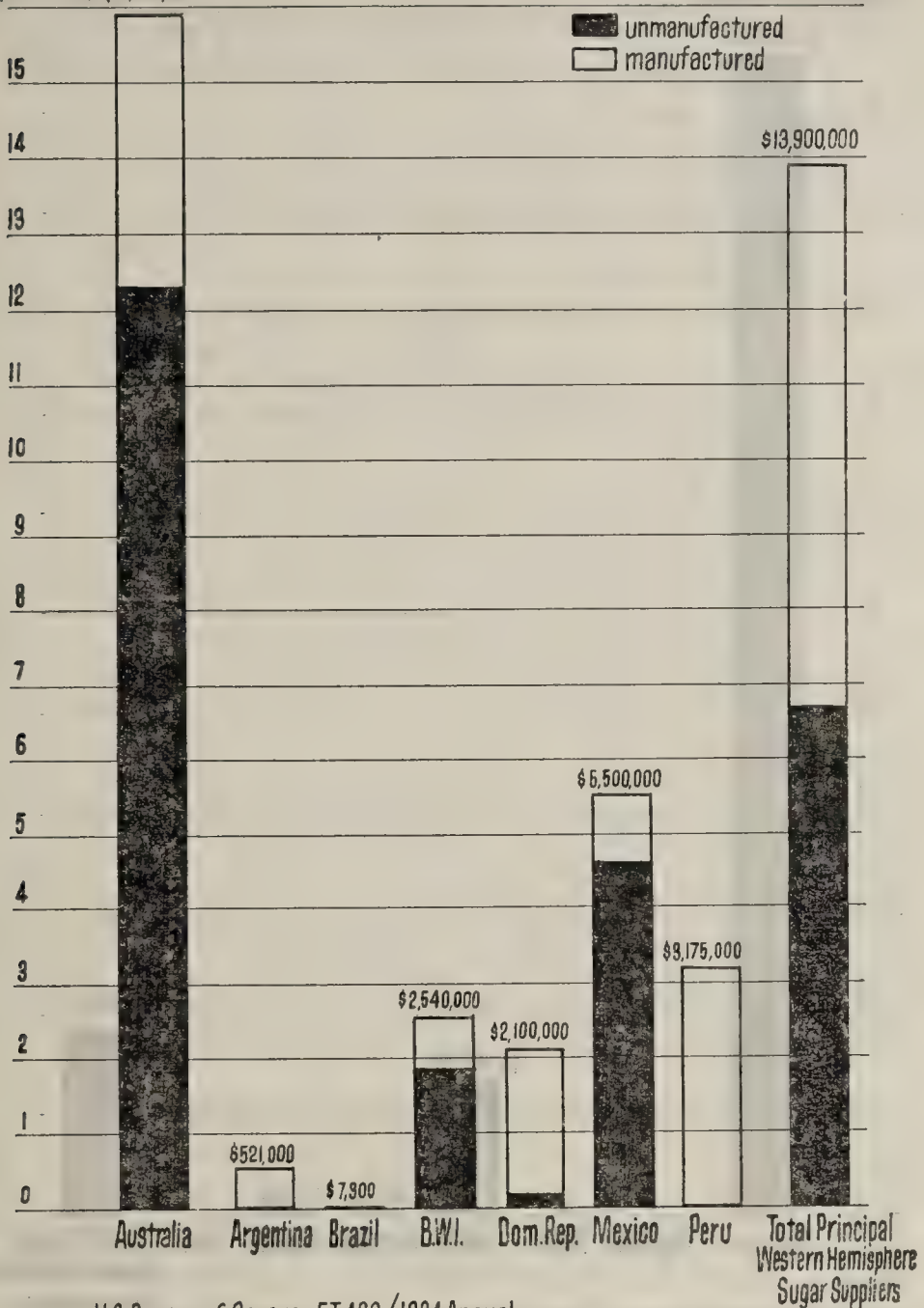
Per Capita Imports of Tobacco from the U.S.



SOURCE: U.S. Bureau of Census - FT 420 / 1964 Annual

Imports of Tobacco from the U.S. 1964

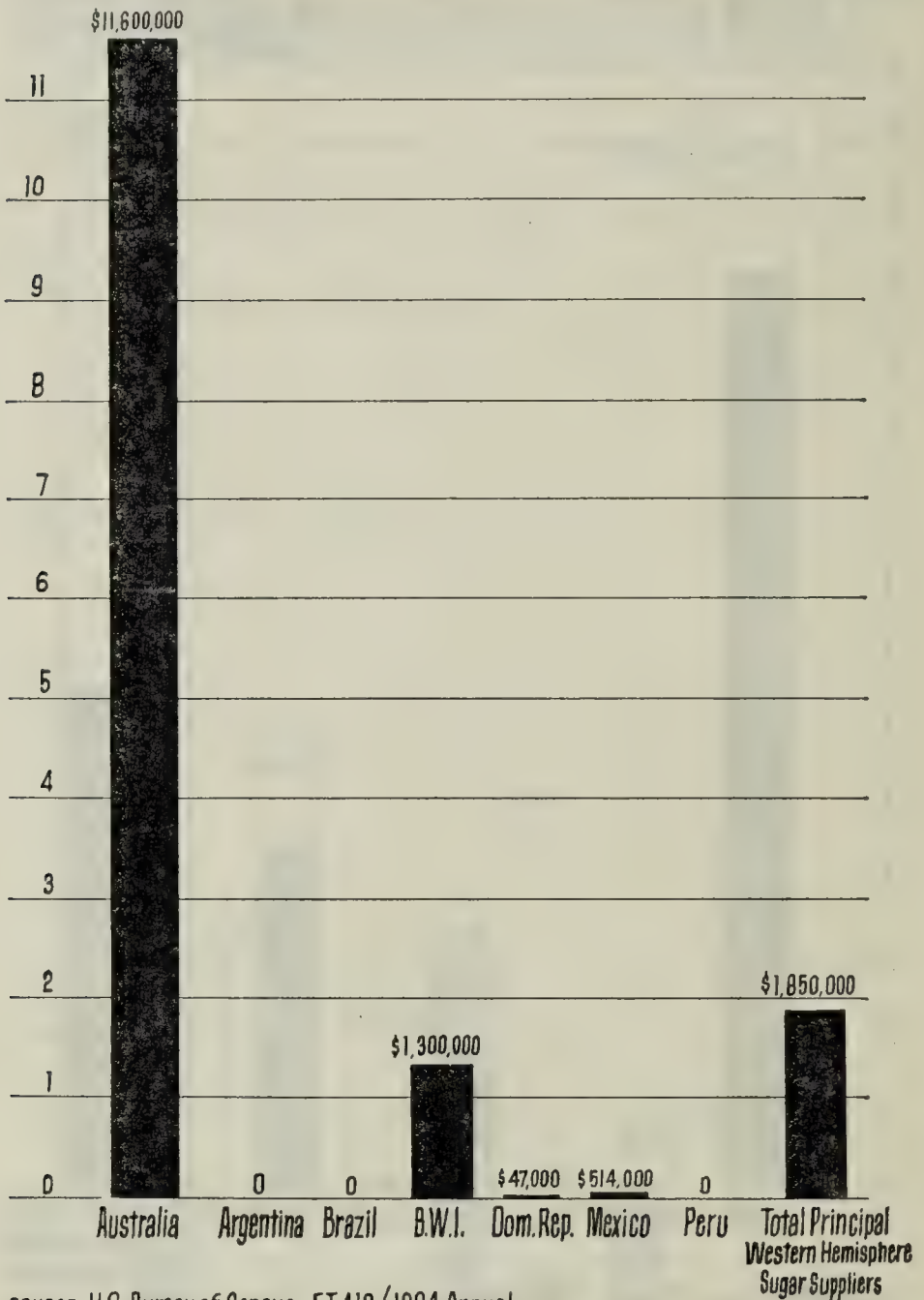
\$(in millions) \$15,900,000



SOURCE: U.S. Bureau of Census - FT 420/1964 Annual

Imports of Flue Cured Tobacco from the U.S.

(in millions of dollars)



SOURCE: U.S. Bureau of Census - FT 410/1964 Annual

Mr. CHAIRMAN. I will now call Mr. Charles H. Brown. Mr. Brown is a very distinguished former Member of the House of Representatives. We know him well, and the members of the committee hold him in the highest esteem. We shall be delighted to hear from you now, Mr. Brown.

STATEMENT OF CHARLES H. BROWN, ON BEHALF OF THE SUGAR INDUSTRY OF FIJI; ACCOMPANIED BY JOHN POTTS, DEPUTY CHAIRMAN OF THE SOUTH PACIFIC SUGAR MILLS CO.

Mr. BROWN. Mr. Chairman and members of the committee, my name is Charles H. Brown, and I appear here today as the U.S. representative for the sugar industry of Fiji. I am accompanied by Mr. John Potts, deputy chairman of the South Pacific Sugar Mills Co. who sits here by my side.

And with the chairman's permission, I would like to submit my statement for the record, and then just talk from notes here for just a very brief time and hit the highspots.

The CHAIRMAN. All right, you may do that. Your statement will be made a part of the record without objection at this point.

(The prepared statement of Charles H. Brown follows:)

STATEMENT OF CHARLES H. BROWN ON BEHALF OF THE SUGAR INDUSTRY OF FIJI

Mr. Chairman, my name is Charles H. Brown and I appear here today as the U.S. representative of the sugar industry of Fiji—a group of about 322 small islands (95 inhabited) which are some 2,700 miles southwest of Hawaii, 1,800 miles east of Australia, and 1,200 miles north of New Zealand.

In 1962, this committee gave the people of Fiji an opportunity to supply sugar to the United States by granting this little island country a permanent sugar quota. This was a historical event in Fiji, because sugar is the lifeblood of the country's economy, and access to the U.S. market has been one of her major trade objectives for two decades.

Fiji has asked me to express to this committee—and through you to the people of the United States—her deep gratitude for this access—a gratitude which, I suggest, they demonstrated tangibly during the worldwide sugar shortage of 1963 and 1964. During those two difficult years when sugar importing countries were clamoring for supplies, Fiji delivered to the United States more than 103,000 tons of raw cane sugar—83,000 more than her basic quota for the 2 years even though that 83,000 tons would have brought higher prices elsewhere.

Fiji is a loyal, stable, reliable source for high quality raw cane sugar. Her total production last year was 348,000 tons; 360,000 in 1965; and she has the potential to produce (within the next 5 years) more than 450,000 tons per annum. Her shipments to the United States this year will run about 47,000 tons. This represents about 18 percent of Fiji's production; and Fiji desperately needs to maintain and, if possible, increase these shipments to the United States.

This little country in the Southwest Pacific has long been a loyal friend to the United States. Fiji sons fought with American sons at Bougainville, the Solomons, and Guadalcanal. A strong U.S. force was employed to hold these strategically important islands in World War II; and many American soldiers remember Fiji well. Indeed, President Johnson was hospitalized in Suva for a short period during the war.

Under the ANZUS pact, the United States shares responsibility for the defense of Fiji with New Zealand and Australia, because these islands are the "crossroads of the Southwest Pacific."

We use her harbors, her airports and other facilities in connection with space tracking and defense training.

In 1952-56, Fiji supplied troops to help suppress the Communist terrorists in Malaya.

It is a fact that everytime we have called upon Fiji for assistance—whether it was for men, facilities, or sugar—she has responded quickly as a reliable friend and ally.

Fiji—like some other countries—is experiencing a disturbing population explosion—increasing at the rate of $3\frac{1}{2}$ percent per year. There are about 456,000 people in the islands, almost the size of Hawaii in 1950; and the population is extraordinarily youthful—44 percent under the age of 15; 72 percent under 25. These young people want opportunities; and the national income must be expanded at least $3\frac{1}{2}$ percent just to maintain the present modest standard of living; and, of course, it must be more if living standards are to be improved.

The only real opportunity for economic growth is agriculture, because the majority of the people look to the land for their livelihood; and the main cash product is sugar.

Sugar represents 65 to 75 percent of Fiji's total export sales; and exports comprise about half the total national income.

One of every four or five people in Fiji depend directly on the sugar industry for a living; and many more depend on it, indirectly.

Fiji canegrowers are independent farmers, operating some 15,000 farms averaging about 10 acres of cane land per farm; and the number of farmers has been increasing annually.

Though these farmers do not have the modern machinery that American farmers have, they are just as proud of their farms and their yields per acre; and they are just as strongly anti-Communist. They are family farmers—hard-working, patriotic, and loyal to Western ideals.

Fiji's sugar mills are modern, efficient, and Fijian-operated. South Pacific Sugar Mills, Ltd., is a large publicly owned company, incorporated in Fiji, and owned by shareholders in Fiji, Australia, and New Zealand. Over 97 percent of the employees of the company were born in Fiji. There are no racial problems in the mills. Relations among the ethnic groups are excellent.

South Pacific Sugar Mills buys the cane from the independent farmers under a contract arrangement proposed by an independent commission of inquiry, negotiated and accepted by the growers and the mills. The sugar is manufactured in four modern mills, and there are permanent-type storage facilities for 120,000 tons—one-third of the present production.

Fiji can ship its present annual export of 47,000 tons to the United States year in and year out without difficulty and would like to ship 100,000 tons per year to the United States beginning in 1966.

And there is no question about Fiji's ability to supply this tonnage. She has the farms, the farmers, and the milling capacity. Right now there are 152,000 acres in sugarcane; and there are, at least, another 180,000 acres of good sugar land accessible to existing mills; and there are ever-growing numbers of farm applicants who want to grow sugar.

Fiji desperately needs to maintain its position in the U.S. market. Where other nations have preferred remunerative markets for as much as 85 to 100 percent of their sugar (i.e., domestic consumption, exports to United States or Britain or other major importer), Fiji's domestic consumption takes only 6 percent of her production (20,000 tons) and her contract with Britain takes 44 percent (160,000 tons). This leaves some 50 percent of Fiji's production (180,000 tons) to be sold on a world price basis, for which Canada and New Zealand have traditionally provided some outlet. But Fiji's haunting problem is where to sell 25 percent or more of her total production at remunerative prices. An assured market in the United States for at least 50,000 tons is vitally important to the economic and social stability of Fiji.

Any formula or criteria which will continue these vital purchases will be most appreciated by Fiji. However, I direct the committee's attention to Fiji's special problem: Fiji gained access to the U.S. market only in late 1962. As of now, she has had only 2 full years to prove her loyalty and reliability—1963 and 1964. Any formula based on performance earlier than 1963 would mitigate against this little country. For this reason, H.R. 10496 particularly fits Fiji. Under this proposal, she would receive a statutory quota of some 18,000 tons; and her share of the Cuban reallocation would be some 27,000 tons.

Also, Fiji would benefit from the proposal which provides special participation for developing countries in any growth of consumption in the United States.

But whatever the bill or the formula, Fiji desperately needs to sell at least 50,000 tons in the U.S. market. And the more sugar the United States has bought from Fiji, the more rice, machinery, tobacco, and cigarettes, chemicals,

etc. Fiji has bought from the United States. In the past 4 years, her imports of U.S. agricultural commodities have increased 300 percent. The people of Fiji have purchased tobacco and canned fish from the United States for years; and now, they are importing U.S. brown rice.

SUMMARY

Fiji applies to the Congress for a quota under which she may continue to supply raw sugar to the United States and respectfully directs the committee's attention to the following considerations:

1. Fiji has an excellent record as a reliable supplier of sugar to many different countries for many years.

2. Fiji has been a loyal supplier to the United States. During the world shortage of 1963 and 1964, she supplied 103,000 tons—83,000 more than her quota, despite the fact that higher prices could have been obtained elsewhere for those 83,000 tons.

3. Sugar is the lifeblood of the Fiji economy.

4. Because of Fiji's high rate of population increase, and her limited field of available natural resources, sugar production provides the most immediate practical means for economic development and employment opportunities for the young people in the islands.

5. Beginning in 1966, Fiji offers to sell to the United States 100,000 tons of raw cane sugar per year.

6. Fiji is a small but growing customer of the United States, particularly in the field of agricultural products; and Fiji pays with cash dollars.

7. Fiji is important strategically in the Southwest Pacific and, through the years, has proved herself to be a loyal friend and ally to the United States and the free world.

Mr. BROWN. I am here today representing the Fiji Islands as they are known as the country of Fiji. And in the very real sense, Mr. Chairman, Fiji is here because this committee in 1962, over the objections of some, established a new sugar policy in this country. After the fall of Cuba this committee said that henceforth the United States should buy sugar from many different sugar exporting countries so as to broaden and disburse our base of supply. And the sugar bill passed the House in 1962, and I have the House report before me. And in this the committee included sugar quotas for 16 new countries. Those of us who were here at that time will remember the howl that went up in some quarters saying that this committee had given sugar quotas promiscuously to a lot of countries that people had never heard of. But in 1963 and 1964 in the worldwide sugar shortage they heard of those countries and those 16 countries whom you provided quotas shipped into this country 2,684,000 tons of sugar. That is over 1,300,000 tons a year for each of those 2 years. And the American housewives saved millions of dollars. And we, probably, have averted sugar rationing in this country because of the wisdom and the foresight of this committee. And I think that this committee deserves the credit and should receive it.

I am proud to represent one of the countries for whom the committee provided a quota in its 1962 bill. And I want you to know that my country came through and justified the confidence you placed in us, because Fiji shipped to the United States 103,000 tons of sugar in 1963 and 1964. That is 63,000 above its statutory quota, and 63,000 tons for which it could have received more money in other markets.

Now we come to the new Sugar Act, and while I am here as an advocate for one country, Fiji, and I want you to know and the record to show that Fiji wants to sell more sugar in this country next year than it did last, just like all of these other countries, so I have sat by

on that bench long enough to know what Fiji wants, what the Western Hemisphere countries want and all of these other countries want is not the primary interest in this bill. It is what Uncle Sam wants. And what the American housewife wants and deserves, a steady supply of sugar at a fair and reasonable price, good sugar, and she wants those supplies uninterrupted, whatever the emergency may be that might arise throughout the world.

In other words, the American housewife just likes one thing worse than high-priced sugar, and that is, sugar rationing stamps and at all costs we must prevent that.

I think that this committee took a great step toward providing a protection against rationing stamps in 1962 by broadening and disbursing the sources of supplies. And as I understand the situation now that decision may be even more important in the next 5 years than it has been in the past 5 years.

Let us get this picture. Over and above the 6,400,000 tons a year that the domestic and offshore producers of the United States are trying to provide this market we are going to have to buy some 3,300,000 tons from various foreign suppliers.

Now we have a treaty obligation for about 1 million tons of that from one major source. That is the biggest single source we have had since Cuba. And we have made commitments in the past to buy hundreds of thousands of tons from this country and hundreds of thousands of tons from that country.

I think a major consideration before this committee is to distribute this sugar so that whatever emergency arises in any given country that our supplies will keep flowing into this country, and that means disbursal and it means diversity of sources.

Now some of the testimony I have heard just this week underlines the importance of disbursal and diversity of supplies. We heard the other day from a fine honorable gentleman who represents a major source, the major source of supply to this country, and he spoke very frankly to this committee about some of the political troubles that are going on in that little island country. He spoke of sabotage and insurrection. He spoke of subversities. And I think it is true or he would not have told you.

We heard another gentleman who represents a country that supplies about 400,000 tons of sugar to this Nation and he said that just a few weeks ago his country was within a whisper of being taken over by the Communists. And right now the country is under martial law.

I suspect that if we knew the true story of all of the subversion, all of the insurrections and everything operating throughout the various countries of the world in these troubled times that we would have legitimate concern for some of these supplies on which we are relying for our sugar to protect the American housewife. But the point is that this committee should distribute this sugar to a great variety of sources and maintain the good sugar relations with many countries, so that if and when any emergency arises in any one of them there will be a steady flow of sugar—there will be someone in there to fill the breach and keep the supplies coming forward.

That is why this committee opened sugar relations with Fiji in the first place in 1962. Fiji produces sugar, lots of sugar for export.

It is a veritable sugar bowl out there in the Southwest Pacific. Of the 29 countries that supplied sugar to the United States last year Fiji ranks 10th as a sugar exporter into the free world. There are only nine that produced more sugar for export than does Fiji.

Last year Fiji exported 340,000 tons of sugar. This year it is going to be more. And next year it may be 380,000 tons.

Fiji has been a loyal, stable, reliable source for sugar for a lot of countries, for a long time. We are sugarcane growers. We are not plantation growers. They are independent family farmers. There are 15,000 of them. They average about 10 acres of land each. And while they do not have the fine mechanical equipment that American farmers do they are just as proud of their farms—they are just as proud of their yields per acre—and they are just as anticommunistic and just as loyal to Western ideas.

Fiji sugar mills are modern. They are efficient. They are Fijian operated.

The South Pacific Sugar Mills Co. is a large public company with shareholders out in Fiji, Australia, and New Zealand. Over 97 percent of these people who work in those sugar mills were Fijian born. The sugar is manufactured in four mills with a crushing capacity of more than 400,000 tons a year. They have permanent-type storage facilities for 120,000 tons. That is about one-third of their present crop.

Fiji needs the United States market. I want to tell you why. And I hope that you will pay particular attention to this, because there are some figures that you will be looking at in your studies of this problem. The Fiji figure is not accurate on one of these tables. And I know that you do not want to make any decisions based on misinformation. Here is the situation with the Fijian crop.

This year we produced 360,000 tons of sugar. Six percent of it, 20,000 tons was used domestically. That is the domestic consumption. Some 160,000 tons is tied up under contract to the United Kingdom at a remunerative price. It is an assured market—a remunerative price contract, very similar to a quota in the United States.

Now, one-half of Fiji's sugar, 180,000 tons, has to be sold in the open market. If there is no U.S. market for that sugar. That is 50 percent of her supply. Of course, I think that there are people in Fiji that would like to have 180,000 tons quota in the United States, but now speaking for myself I doubt that the United States should buy all of the exportable sugar from any country. I think it improves the efficiency of a country plus the sugar industry if it has to get out and sell a little bit in the open market. I do not believe that the United States should take all of the exports from any country.

Lastly, what Fiji needs and what she has to find is an outlet of about 100,000 tons of sugar a year. She has some markets in New Zealand. The New Zealand market is not literally an assured market. She sells some sugar sometimes most years, in fact, in Canada, but Canada is not an assured market. And, certainly, not at a remunerative price. It is a very competitive market. And Fiji competes with Latin American countries and with the Commonwealth countries all over the world for the Canadian market. And it is on a world price basis.

The price even to Commonwealth markets is just a little tiny bit above the depressed world price.

Fiji needs to sell to this country at a remunerative price about 100,000 tons of sugar a year. And, of course, the very minimum she needs to sell is what she has been selling, and that is roughly 50,000 tons.

Unfortunately, Fiji does not have a long history of performance with the United States. It is not her fault. She tried for 20 years to get into this market, but we had obligations to Cuba. But Fiji has a 2-full-year record and will soon have a third full-year record.

In 1963 she shipped to this country 49,000 tons. In 1964, 54,000 tons. And in 1965 her total shipments will run about 47,000 tons.

Now, under the bill that is pending here before you, the Government has recommended that Fiji get about what it is selling now: 18,000 tons basic quota, 27,000 tons, part of the Cuban reallocation. That is a total of about 45,000 tons. And she would get special participation in consumption growth as a developing country.

But, now, the chairman is right, the responsibility for writing this legislation is in the committee. And when you come to consider a fair quota for Fiji I ask that you consider these facts:

First of all, Fiji is a sugar bowl. It is the 10th largest exporting country in the free world. She is a reliable source. Fiji is a loyal friend of the United States. We had to call on her for sugar during World War II and she got it over here into the United States.

In 1963 and 1964 she shipped 83,000 tons more than her statutory obligation.

Fiji is a loyal ally of the United States. Fiji's sons fought with American sons at Bougainville and in the Solomons and at Guadalcanal. When we called on her to send troops to Malaya in 1952 and 1956, she sent troops and they fought with honor. She is a loyal ally of this country and is on notice against any aggression against Australia and New Zealand and the United States.

Also, Fiji is a small but growing customer of the United States. Her agricultural imports she has always imported from us, such as tobacco and canned fish. Now she is importing brown rice.

Her imports from this country have increased 300 percent on agricultural commodities within the last 2 years.

Now above all, I ask that this committee consider the importance of disbursal of supply, of keeping good sugar relations with these countries that have the sugar and can get extra quantities in here to us in the event we ever need them, so that we will not have to get into sugar rationing or high-priced sugar.

This committee started relations with Fiji. The relations are good. Let us keep them that way.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Brown, for a very good statement. I think that you have represented your clients well, as you did in 1962, when you appeared before our committee.

Mr. BROWN. I hope I did.

The CHAIRMAN. Any questions?

Mr. FINDLEY. Does Fiji have any ocean shipping?

Mr. BROWN. She charters the ships. They come from all parts of the world.

Mr. FINDLEY. Are they under the British flag?

Mr. BROWN. No.

Mr. FINDLEY. What flag?

Mr. BROWN. Whatever flag is offering shipping at the time—Austrian, Japanese—any shipping that is available.

Mr. FINDLEY. The reason that I ask is that one of our problems in South Vietnam is free world shipping is going into North Vietnam. Would this pose a serious problem to Fiji if this legislation contained a cutoff to any country which trades with North Vietnam?

Mr. BROWN. We would have to look into that where the ships have been chartered from. We would have to make a study of it; frankly, yes. We have not made a study of it.

Mr. FINDLEY. In dollars how much does the quota premium on a 100,000-ton quota mean to Fiji? Can you estimate that?

Mr. BROWN. No, I cannot, Mr. Findley, because you see, I think that you are talking the short-range view of this thing. Remember, in 1963 and in 1964 there was not a premium price in the United States.

Mr. FINDLEY. Those were exceptional years.

Mr. BROWN. Well now, I do not know whether they were or not, because, you see, Cuba had just been in the orbit of communism—just about 3 or 4 years. This whole sugar picture, worldwide, is terribly unpredictable right now. No one knows what this so-called world price is going to be. I think you understand, do you not, of all of these sugar producers in the world about 90 percent of it flows under assured markets by means of contractual arrangements and only about 10 percent of it is really on a so-called free market.

Mr. FINDLEY. This quota obviously means something to Fiji or you would not be here.

Mr. BROWN. I will tell you what it means. The first consideration of any sugar-exporting company is assured outlets for its supplies. It must sell the sugar. And the price is the secondary consideration.

I am not going to kid you. We want assured markets at good prices. I mean, that is the backbone of the industry. And that is what we try to negotiate in every instance.

Mr. FINDLEY. May I assume that if the recapture provision is placed in at one-half level this will pose no problem in Fiji?

Mr. BROWN. It would pose a problem in this regard: there would be that many less dollars that would come to Fiji, and they need the money.

Mr. FINDLEY. You would still wish a quota?

Mr. BROWN. We seek quotas for outlets wherever we can find them, because we have got to get rid of the sugar.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Thank you, Mr. Dole.

Mr. DOLE. Almost every witness who has testified has mentioned the great sacrifice that they made in 1963 and 1964 in shipping sugar into this country. Have you any idea in dollars and cents what these sacrifices may have amounted to either to your client or any others who have appeared here?

Mr. BROWN. I could quickly calculate it. I think that the world price was about 4 cents a pound above the domestic price at that time, and that is about \$80 a ton. And times 80,000 tons, that is quite a bit of money. What is it, \$6,400,000? And you know in a country like Fiji that is quite a bit of money. But the main thing that Fiji and

these other countries kept sugar flowing into the United States because they thought and were justified that this committee and the Congress would write a new sugar act soon and provide assured outlets for supplies on a long-range basis.

Mr. DOLE. Enlightened self-interest policies.

Mr. BROWN. That is right. It came from countries that are friendly to the United States and loyal allies. So it was not just in the light of self-interest. It was just that friendship and their high regard.

Mr. DOLE. And profit.

Mr. BROWN. I say that it was enlightened self-interest in the long run. Now, if this country of Fiji does not get a decent sugar quota under this act it is not in the light of self-interest.

Mr. DOLE. Thank you.

The CHAIRMAN. Thank you very much.

We will now call on Mr. George M. Grant, who has been with us for many years and served with great distinction on this committee. We are very glad to have him with us. Do you have any people from Thailand with you?

Mr. GRANT. Yes; I do.

The CHAIRMAN. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. On the record.

Mr. GRANT. I have a statement for the record and will file it if all of the members will promise to read it.

The CHAIRMAN. We will all read it.

Mr. GRANT. And I have a short statement to present.

The CHAIRMAN. You may proceed. We will be glad to hear from you now.

STATEMENT OF GEORGE M. GRANT, ON BEHALF OF THE MINISTRY OF INDUSTRY, THAILAND, ACCOMPANIED BY MR. CHALONG PUNGTRAKUL AND MR. SA-ARD HONGSAYONTA

Mr. GRANT. Mr. Chairman and ladies and gentlemen of the committee, I appreciate the nice remarks of the chairman. I know that you know me sitting around the rostrum, where I had the privilege of being for many years with you gentlemen and ladies but to those of you who do not know me, my name is George M. Grant. I appear before you today on behalf of the Ministry of Industry of Thailand.

At this point I would like to introduce Mr. Chalong Pungtrakul and Mr. Sa-ard Hongsayonta. These gentlemen will assist me in answering any questions that you may have.

To save time I have prepared a short statement summarizing the reasons and justification for Thailand's petition for a United States annual statutory sugar quota of 85,000 tons. I shall file a more detailed statement for the record.

And I would ask at this time that I may file that for the record.

The CHAIRMAN. Without objection, that may be done.

Mr. GRANT. And I think, also, that at each member's desk is a copy of a very interesting little booklet that I picked up called, "Report From Southeast Asia" by Thanat Khoman, Foreign Minister of Thailand. I would like to ask the privilege of filing this, not for the record, but for the information of the committee.

The CHAIRMAN. All right. That may be done.

(The document entitled, "Report From Southeast Asia," by Thanat Khoman, Foreign Minister of Thailand, will be found in the files of the committee.)

(The document entitled "Statement of George M. Grant" follows:)

STATEMENT OF GEORGE M. GRANT ON BEHALF OF THE MINISTRY OF INDUSTRY OF THAILAND

Mr. Chairman and members of the committee, my name is George M. Grant. I am appearing before you on behalf of the Ministry of Industry of Thailand, a Government entity responsible for supervision and promotion of sugar production in Thailand.

Thailand is keenly interested in the pending legislation to revise and extend the Sugar Act of 1948, as amended. This interest is somewhat of novelty in comparison with those countries presently sharing in the U.S. sugar market; at the outset of my remarks I think it is best to point out two factors which differentiate Thailand from past sugar suppliers. First, Thailand has only recently attained a position as a net exporter of sugar. Because of this—and this is my second point—Thailand has never exported sugar to the United States with the exception of several shipments in the middle of the 19th century. Thailand was extremely anxious to participate in the U.S. market this year, but such was precluded due to the administration's action in restricting the market to historical past suppliers.

It must be realized that Thailand's inability to export sugar until recent years was the result of an expanding industry attempting to satisfy the domestic requirements in Thailand. Once this objective was realized, continued investment in sugar production surpassed internal needs; in 1963 Thailand exported 50,000 tons of raw and plantation white sugar to nearby markets, after quadrupling their sugarcane production during the preceding decade. At the present time annual production approximates 330,000 tons of sugar. It is expected that the surplus of sugar available for export will be in the neighborhood of 160,000 tons this year.

This surplus is becoming critical and poses serious difficulties and probable adverse economic repercussions. Thailand urgently needs a stable price for a growing export which, in the face of severe fluctuation in world price, cannot be an economically feasible commodity in the absence of a dependable market.

Furthermore, the current surplus of sugar has created critical political problems in the Thailand Government with regard to sugar production, by causing a decline in income and employment.

Since the Second World War, the proponents of the sugar industry have successfully impelled the industry to reach its present level of achievement. Costly investment in milling machinery and farm equipment, affecting thousand of laborers and farmers, now hangs in the balance, depending on the creation of a stable market for this increasing important industry. A statutory sugar quota of 85,000 tons for Thailand would relieve a situation which is becoming distressingly malignant.

Allow me to introduce a few facts and comments on Thailand.

We are prone to consider the kingdom of Thailand in the mystic romanticism of "The King and I." Indeed, this exotic flavor still lingers, but has been overshadowed by a new era of progressive outlook and economic advance. Thailand's 30 million inhabitants occupy some 200,000 square miles, a territory slightly smaller than France. The country consists mainly of a large central valley, bordered on the north and west by mountains, and on the south by the Gulf of Siam. The northeast section of the country, comprising about one-third of Thailand, is a high plateau region. Thailand's neighbors are, counterclockwise from the south, Cambodia, Laos, Burma, Malaysia. A multitude of streams and rivers interlace the topography, providing the vastly important network of water for irrigation and transportation. The major river is the Chow Phya, which shelters the capital city of Bangkok 16 miles upstream from its estuary.

Thailand's fertile valley abounds in vegetation due to the warm and humid climate. Chow Phya River Valley has three seasons, the longest being the rainy monsoon, extending from June through October; the monsoon is preceded by the hot season, and followed by a 3-month cool season, during which the temperatures dip to an average of 80 degrees.

Thailand boasts a variety of ethnic groups. The industrious and commercially powerful Chinese account for 1.6 percent of the population, with other nationalities comprising about 0.2 percent.

The Thai people originally migrated southward along the banks of the Chow Phya and Mekong Rivers from China, finally settling in the Chow Phya Basin over a thousand years ago. During the following centuries Thailand developed a culture and a character of its own.

Peaceful times were disturbed in 1568, when the Burmese besieged the capital city of Ayudhya and dominated the country for 15 years. A successful counter-attack dispersed the invaders, but further attacks from the northern and eastern neighbors gave the pacific Thai people a troubled century, but also endowed these ancestors of hailand with a superb resilience to aggression.

In the 17th century Thailand was suddenly in the limelight of the Western World due to the rapid exploitation of the wealthy Indian trade. As a stepping-stone to India, Thailand attracted much Western influence and became, in the eyes of Europe, one of the most important kingdoms in southeast Asia.

In the late 18th century the monarch Rama I moved the capital to Bangkok and formed a dynasty which has ruled Thailand since that time. In 1932 a bloodless coup d'etat terminated the centuries-old absolute monarchy and a constitutional monarchy was instituted.

The 19th century was the transition period, during which present-day Thailand took shape. British, French, and American influence were primarily present: the British secured a leading role in Thai finances; the Americans, as arbitrators in a French-Siamese dispute in 1907, became traditional advisers in foreign affairs; and the French legal advisers were, to a certain extent, responsible for establishing the present judicial system of Thailand. Unlike its southeast Asian neighbors, however, Thailand has never been a colony of any European or Western power, despite numerous overtures throughout the centuries. Thailand's high regard for freedom is illustrated by the decision of King Rama VI to send Thai troops to France during World War I.

The Government of Thailand is an excellent model of stability and efficiency. A constant and uninterrupted history of government is of prime importance to a nation's development. Thailand has ruled itself for a thousand years.

Thailand's constitutional monarchy combines due regard for Thai tradition with a penetrating analysis of and borrowing from European and American sources. The King is assisted by a Privy Council, an office of the Royal Household and an office of his Majesty's Secretary General. All legislation is enacted by the Parliament, signed by the King, and countersigned by the Prime Minister.

Recent transitory constitutions have endowed the Council of Ministers, the equivalent of our Cabinet, with the executive and administrative functions of government. The Council is composed of ministers and deputy ministers, chosen by the Prime Minister, who presides at the weekly meetings. The Constituent Assembly has legislative power and provides a debating forum and accurate indicator of public opinion.

I was anxious, Mr. Chairman, to present this brief geopolitical and historical summary so that we all may have a more accurate understanding of Thailand and its way of life. We are all quite well informed on other southeast Asian regions, but I find many of us consider Thailand to be a nice little friendly country which doesn't require the close attention of neighboring Communist-infiltrated countries.

Thailand is small, yes, and friendly indeed, but never let us overlook its importance in the current Asian sphere of activities. The potential value of Thailand in assisting the reestablishment of a peaceful Asian bloc cannot be underestimated.

Thailand's total commitment to the free world is a stabilizing influence in a very critical area of the world which is presently the prime target of Communist subversion. There is little doubt that Thailand is on the Communist schedule for ultimate control; it appears that the time table has been delayed due to "easier game" in neighboring countries. There is no doubt that the Government of Thailand has made and will continue to make every effort to repel Communist approaches, which are becoming stronger with each passing day. We are indeed fortunate to have an ally such as Thailand, whose very spirit and tradition is totally incongruous with Communist doctrine and ideology. In this area of upheavals and Communist subversion, Thailand is a unique working example of political and social stability.

Thailand's avowal to support freedom is evidenced by her membership in the United Nations Organization and its various agencies and the Southeast Asia Treaty Organization, which has given eminence to Thailand by selecting Bangkok as the seat of the Organization. Further, Bangkok's magnificent Peace Hall (Sala Santhitham) contains the offices of the Economic Commission for Asia and the Far East. Thailand has always had total respect for its agreements and treaties, and has ever been ready to defend the principles of freedom and democracy.

Thailand's central location further emphasizes its importance in the Asian area. Bangkok is the natural hub of all air routes in the region—south down through the Malaysian Peninsula to Singapore and Jakarta, eastward to Tokyo, westward to India and the Middle East, and New York equidistant by either the eastern or western route.

Thailand occupies a position of vast strategic importance in addition to being an ideological bastion of freedom in a torn and struggling southeast Asia. The Cold war, no longer so cold 100 miles to the east of Thailand in Vietnam, makes the Thai people sharply aware of increasing pressures and the supreme importance of maintaining a free society in a free country.

In the face of external pressures a growing and stable economy must be maintained. Thailand is well on the difficult road leading to economic independence and self-sufficiency; but for Thailand, as for any industrially emerging nation, the road is often slow and difficult. Presently the country is on the threshold of success, and has reached the critical stage which is all-important in the transition to a self-sustaining economy.

The metropolitan areas are flourishing with business activity and industrial growth. Serious efforts are being made to supplant the primitive agricultural techniques of the farmers with modern technology and mechanization.

Industrial expansion has been especially dynamic, having increased its output 16.9 percent in mining and 8.4 percent in manufacturing a year since 1958. Manufacturing has branched out to include various types of light and small industry. The basic rudiments of this upsurge, including additional electric power and communications facilities, are rapidly growing to support further expansion.

Agricultural wage earnings have risen 5.8 percent a year since 1958. Thailand's gross national product (GNP) is estimated to have doubled during the 1950-60 period, reaching the equivalent of about \$2.7 billion in 1961. Per capita national product is estimated at around \$110, but this average is distorted by the fact that about 85 percent of the population is rural and thus satifies many of its basic needs outside the money economy. By contrast, the Greater Bangkok area, with more than 2 million people, comprises a market of considerable purchasing power. Economic growth has been financed chiefly by export earnings from the nation's primary production: Agriculture, forestry, and mining. The annual rate of investment has been around \$350 million, or nearly 15 percent of the gross national product. The Government, committed to speeding up the pace of economic advance, has set up a National Economic Development Board to plan public investment under the current 6-year plan and a board of investment to promote greater private industrial investment and attract more foreign venture capital. Private enterprise has been encouraged by the conservative fiscal and monetary policies that Thailand has pursued since the currency stabilization of 1955, which eliminated the multiple exchange reserves. The baht is now convertible with minimum regulation and has gained a reputation as a sound currency in international markets. Spending on economic development is being stepped up under the 6-year plan, but these outlays are to be covered by tightening tax collections, borrowing from the public, and foreign aid, rather than by deficit financing. The importance of agriculture to the Thai economy is indicated by the fact that it provides a livelihood for roughly 80 percent of the population and produces about 90 percent of the country's export earnings.

Most agricultural land is owner-cultivated, and Thailand's farmers are untroubled by tenancy or civil unrest. Apart from rice, the main commercial crops for the fast-growing domestic processing industries are corn, cassava, kenaf, sugarcane, rubber, and cotton. The land is still Thailand's greatest natural resource. At present, little more than 15 percent, or about 25 million acres, is under cultivation; of this only about one-ninth is covered by irrigation projects completed or under construction. There is much potential for agricultural development which could be realized by expansion of the cultivated areas, extension of irrigation and flood control and the introduction of fertilizers and new cropping patterns.

The foregoing serves as a brief outline of the current economic situation in Thailand. It is in truth a recurring theme that any growing nation has experienced: the hesitant initiative, the throes of early development, the complexity of later industrial expansion—throughout which the focus is upon maximum utilization of natural resources.

Thailand's prime natural resource is the fertility of the soil; in essence, the economy is based upon agriculture. Knowing and understanding this, we must appreciate the dependency of Thailand upon its agricultural system.

Progress is often contingent upon innovation. Thailand, reliant upon, but not restricted to agriculture as its major earning power, has sought new crops to attain a twofold objective: a self-sustaining economy and an industrial expansion. The rapid growth of the Thailand sugar industry is the direct result of such innovation, although in fact, sugar production in Thailand gained significance 30 years ago.

It is interesting to note that during the first half of the 19th century, cane sugar was among Thailand's principal exports. During the latter half of the century, however, low world prices forced the sugar industry to nearly cease its activities. World War I, tariff protection since the 1920's, government initiative since the 1930's, and World War II all stimulated the local industry and Thailand attained its present export position in 1961.

Sugarcane cultivation is distributed over 10 general areas scattered rather evenly throughout the nation. There are now 43 mills in operation, handling the cane production of more than 205,000 acres of land producing over 4,500,000 tons of sugarcane. The rate of return of raw sugar per hundred tons of cane harvested is 7.5 tons; the average yield of cane per acre is 18.3 metric tons. Both the rate of return and the yield-per-acre are low in relation to other sugar producing countries. This yield per acre could be increased through more efficient planting and harvesting techniques, as well as improvement of species of cane and use of fertilizers. The technical assistance program of the sugar industry aid fund is making some progress against these deficiencies; it is essential that the cost structure of sugar production be reduced if the price of Thai sugar is to be made competitive on world markets.

The sugar industrial aid fund, established by the Government in 1961, provides both technical as well as financial assistance to the canegrowers. The fund extends credit for 2 or 3 years for the purchase of equipment, sells fertilizers at reduced cost, and pays for agronomist services.

The recent construction of the majority of the sugar milling facilities indicates the new expansion of the sugar industry. Only 6 mills were built between 1937 and 1951, while 14 were established in 1957 alone; 11 more were put into operation during 1960 and 1961. Quite obviously substantial investment has been made in the sugar industry in recent years. The estimated domestic consumption of Plantation White cane sugar during 1963 was 135,000 tons; household users consumed over 80 percent of this total, with industrial users constituting the market for approximately 18 percent of the remainder. Exports of Plantation White and raw sugar totaled over 55,000 tons in 1963, with Japan importing more than half of this tonnage.

One of the major factors in the Thailand sugar industry is, of course, the price structure relative to cost of production and present average world market prices. Over the past few years substantial subsidies have been paid by the Thailand Government to sustain the sugar exporters, as production costs have exceeded the present depressed world market price for raw sugar. This situation is indeed a dilemma at the present time, as the promoters of the sugar industry are anxious to strive for a competitive export position. The only alternative would be severe curtailment of production and the simultaneous closing and dismantling of many of the sugar mills, which of course, represent large investment. The repercussions of this measure would certainly be reflected in loss of income to all facets of the sugar industry, from the millowner down to the small farmers dependent on cane sugar for their livelihood. A reversal in the sugar industry would cause irreparable harm to the economy in general and would create widespread social unrest.

As recently indicated, the sugar industry has expanded over the past 10 years in leaps and bounds. There are presently five Government-owned sugar factories, representing a total investment of \$30 million, and 38 privately owned factories, the capital investment of which approximates \$80 million.

In addition to the heavy financial obligations undertaken with the expansion of the industry, a large number of farmers switched their crops to cane sugar concurrently with the growth of the industry.

There are 38,000 individual sugarcane farmowners in Thailand, plus 19,000 mill, factory, and transportation workers. In addition there are 45,000 farm employees and laborers engaged in the sugar industry. Including 420 Government officials, the total number of Thailanders deriving their income from the industry is 102,270. As there is an average of 5.6 dependents per family in Thailand, there are 570,000 Thailanders dependent upon the growing and milling of sugar for their daily needs and sustenance.

Almost all sugar farmlands in Thailand are owned by the farmers, with the exception of about 2 percent under sugar factory and Government ownership. The Government seeks only to assist the farmer by providing current technical advice and financial assistance during the early part of the growing season when operating funds are short.

I would like to present a summary comparison of the income levels prevalent in Thailand. Industrial wages, as is generally true throughout the world, are far higher than farm income. The mean industrial wage in the urban areas is about \$35 per month, as compared to the average farm income of the sugarcane grower of \$17 per month, or half the industrial wages per harvesting season. Furthermore, the sugarcane farmer cannot utilize a two-crop rotation system, which is often used by other crop growers to provide a double harvesting season and, subsequently, double income. The rotation system has been used with tremendous success by the maize growers; maize production has increased tenfold over the past 6 years, and this year Thailand should reach an annual production of maize of over 1 million tons.

Quite obviously the sugarcane farmer requires a higher price for his sugarcane, which is naturally essential to keep the mills and factories in operation. The present procedure of the industry is an overall subsidy system, whereby taxes on the milling output are used toward supporting the export price of raw sugar. A quota in the United States would allow a general wage increase for all factors of the industry.

This critical period can be alleviated by granting a statutory sugar quota of 85,000 tons to Thailand. The Government of Thailand has in the past, and will in the future, make all efforts to stabilize the sugar industry, for too much has been spent already to forgo the future and close down the milling facilities. Even in the face of adverse market conditions, this policy has consistently been reaffirmed by the Thai Government. But without a U.S. sugar quota it is impossible to compete with the depressed world market price structure, largely the result of global "dumping" practices.

I would like to emphasize that Thailand does not intend to rely in the future solely on the U.S. market if a quota is granted. Thailand is fully aware of the fact that Cuba's return as a source of sugar to the United States will reduce if not remove U.S. foreign quotas. It is firmly and sincerely believed, however, that the sugar industry in Thailand is experiencing only temporary difficulty and will shortly succeed in competing in worldwide markets. This is no idle statement; indeed, the recent heavy Government expenditures toward success of this priority industry will bear out the assurance that the farsighted program will soon be realizing the benefits of the recent increased investment.

A sugar quota for Thailand would serve also to stimulate and encourage expanded international trade. In 1964 Thailand imported over \$115 million worth of U.S. products, of which \$17 million was agricultural commodities. In 1964, U.S. imports from Thailand approximated \$27 million, representing an unfavorable balance of trade for Thailand in excess of a 4:1 ratio. Such a ratio is naturally detrimental to a growing country dependent upon foreign exchange earnings for industrial expansion.

A sugar quota for Thailand will contribute to one of the major provisions of the Sugar Act: "To promote the export trade of the United States." Thailand has indicated its willingness to increase volume of trade with the United States.

As a comparison with present sugar quota countries, I would like to point out that Thailand's 1963 imports of U.S. agricultural commodities exceeded those of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Haiti, Ecuador, Paraguay, British Honduras, French West Indies, and the Fiji Islands—more than half of the countries which participated in the statutory quota system over the past 3 years. Furthermore, all of Thailand's imports of agricultural commodities were for cash. Thailand's principal exports include rice, rubber, tin, maize, teak, and tapioca products. Major imports are petroleum products, iron and steel, motor vehicles, and industrial machinery.

We are not unaware of the pressures being exerted to restrict foreign sugar suppliers to Western Hemisphere nations. Thailand understands the strengthening of the economic base derived from the U.S. sugar quota system, and strongly desires to participate in these mutual benefits, whereby the supplier earns funds for capital development and the United States is assured a steady and stable sugar supply.

Thailand has historically relied in large part upon its own efforts and resources for development, and its achievement in this direction has been most encouraging. During fiscal year 1963, there were eight countries having U.S. statutory sugar quotas which received more financial assistance from AID than did Thailand. Thailand does not wish to rely solely upon foreign donations for industrial development. This policy of self-help would be much strengthened by a statutory sugar quota, which would provide an outlet for sugar at a remunerative price.

I cannot overemphasize the strategic importance of Thailand, in both foreign policy and military considerations. Present foreign quota sugar suppliers, including the Republic of the Philippines, enjoyed in 1964 a U.S. market of over 4 million tons; in requesting a quota of 85,000 tons, Thailand asks only for a mere pittance of 2 percent participation in the U.S. market from foreign sources. In order to relieve the present surplus, Thailand also requests a 1965 quota of 15,000 tons, to be delivered before the end of this year. Approval of these small requests will indeed be a timely indication by the United States of its continued support of a small but infinitely important country, a strategically invaluable outpost in an area of the world stricken by Communist pressures. We know well the U.S. cost of maintaining and protecting neighboring lands from attack and aggression, and we all hope and pray that Thailand will never need the machinery of war to protect its boundaries from invasion. Granting Thailand's request for a nominal sugar quota would indeed provide the machinery for peace and future prosperity.

May I thank you, Mr. Chairman and members of the committee, for the privilege of appearing before you and presenting Thailand's petition for a statutory sugar quota. I shall be pleased to answer any questions you may have to the best of my ability. Thank you.

Mr. GRANT. Thailand, with a few minor exceptions, has ruled itself for about a thousand years, unlike its neighboring nations, which have all been colonized by Western powers at one time or another. Traditionally and historically Thailand has been a friend of the United States. Today the Thai people are not only our staunchest friends and loyal allies but a major bulwark against Communist aggression in southeast Asia. It is well to have preference for Western Hemisphere sugar suppliers, but this is one major exception. Thailand is on the frontlines of attack in southeast Asia.

One of the members of this hearing said that he did not want to see any graphs, but I am presenting not a graph, but a map of a section of southeast Asia which, to my mind, says more than thousands upon thousands of words. And I would like the privilege of pointing out a place or two on this map which I am sure will be interesting to the members of the committee.

Before you is a map of the southeast Asia arena. Here we are making a stand in Vietnam, where we have committed over 125,000 troops to prevent a Communist takeover. Here is strife-ridden Laos; here is hostile Cambodia, which has recently broken diplomatic relations with the United States of America; both are "neutral" and both waiting to decide which way to jump. Here is the North Vietnam border, less than 100 miles from Thailand—and here is the Ho Chi Minh trail, only 50 miles from Thailand. Here is Burma, hanging by a thread between independence and submission to Red China.

And here is Thailand. As you can see, this friendly ally stands directly in the path of the Red Chinese conquest, blocking the way to Indonesia, which already is leaning toward communism; to Malaysia,



a friendly and newly independent nation; to the Philippines, which only recently crushed a still latent Communist movement.

Thus, gentlemen, the United States must lean heavily on Thailand to protect its flanks so to speak. Most U.S. officials recognize this. The President has suggested that a \$1 billion AID program be instituted to raise the living standards in this area, and he has sent Mr. Eugene Black to head an emergency study group to seek ways in which this massive aid program can be implemented immediately. The U.S. Embassy and AID mission in Thailand are working frantically to assist Thailand, as already the Communists have infiltrated the northeast sector. This 130-mile Mekong River frontier is crossed and recrossed daily by Pathet Laos forces, and numerous clashes between armed bands of Communists and Thai police have already occurred.

Peiping has served formal notice that Thailand is the next target for what it calls liberation. Thus, we have here a desperate race between the United States and Thai Governments to build the economy on the one hand, and Red China's subversive drive on the other.

By a simple legislative measure you gentlemen will assist immensely in this concentrated effort. A sugar quota for Thailand will be a contribution to a major segment of the economy. The Thai sugar industry represents an investment of over \$110 million, and a source of income for more than 100,000 workers, affecting over half a million dependents. We have here the ideal opportunity to serve dual worthy causes: obtaining our sugar requirements, and at the same time helping a most valuable ally and supporter.

Thailand is also a very good cash customer of the United States. It has an unfavorable trade balance with the United States in a 1-to-4 ratio.

I will repeat that statement: A 1-to-4 ratio. Thailand imports almost all her tobacco and cotton needs from the United States. The United States, in all fairness, should not turn its back on a cash customer in time of need—a customer whose destiny is also the destiny of the U.S. effort in that area. And it imported from the United States agricultural import commodities exceeding that of 12 sugar quota countries. I again repeat that statement: Thailand imported more from the United States of commodities than 12 of those who are now under sugar quotas and who are participating in the statutory quota system and have for the past 3 years.

Thailand does not want grants and doles. The Thai Ambassador and the Foreign Minister have repeatedly stressed that Thailand wants to help himself. This is a historical characteristic of its people.

Right now Thailand needs support for a sugar industry which has grown too fast. With the exception of rice and several minor agricultural products such as tapioca, Thailand has only begun developing its agricultural economy in earnest over the last 10 years. Paradoxically, this development has been encouraged directly by the United States through a technical assistance program in its efforts to raise the prosperity of the country. Only in very recent years has Thailand had an export surplus of sugar, and only last year has this surplus been considerable. Now the surplus stands at 100,000 tons.

For immediate relief of this desperate situation, Thailand has requested a special quota in 1965 of 20,000 tons, in return for which it intends to purchase an equivalent value of additional U.S. tobacco. In addition to the statutory quota of 85,000 tons requested, if the Congress can find a way to grant this 1965 quota, it, too, will be of great value to the Thai economy.

As I previously stated, Mr. Chairman and members of the committee, I will attempt to answer any questions that the committee might care to ask.

The CHAIRMAN. Are there any questions?

Mr. FINDLEY. Mr. Grant, welcome back.

Mr. GRANT. Thank you.

Mr. FINDLEY. Do you have an estimate of how much of this quota of 85,000 tons would mean in Thailand in terms of dollars?

Mr. GRANT. I am afraid that I would have to give you the—

Mr. FINDLEY. Can one of the gentleman with you provide that?

Mr. GRANT (continuing). The same answer that has been given by several other witnesses; that owing to the fluctuation and not knowing what the price would be I could not.

Mr. FINDLEY. At the current price, the quota premium would be worth around \$4 to \$5 million, would that be about right?

Mr. GRANT. To save the time I would think so.

Mr. FINDLEY. Thank you.

Mr. GRANT. As a matter of fact, let me answer it this way, too: I think that it would go toward paying for a lot of the commodities that this nation is buying from the United States. As I said a moment ago we are shipping in four times as much as they are shipping to us. We are paying cash for it.

Mr. FINDLEY. Thank you.

Mr. DOLE. I certainly sympathize with the position of your client in southeast Asia. We appreciate Thailand's help to our country.

You stated they do not seek a dole or a grant. Does that have any reference to either of us?

Mr. GRANT. That is very good.

Mr. DOLE. Thank you.

The CHAIRMAN. Thank you very much.

Mr. GRANT. Thank you very much.

The CHAIRMAN. We will next hear from Mr. James W. Riddell, counsel for the Indian Sugar Mills Association.

You have a prepared statement?

Mr. RIDDELL. Yes; I do, and in the interest of saving the time of the committee I would like to read it rather than to attempt to summarize it. It is very short.

The CHAIRMAN. You may proceed. How long will it take?

Mr. RIDDELL. About 10 minutes.

The CHAIRMAN. All right, start reading. [Laughter.]

STATEMENT OF JAMES W. RIDDELL, COUNSEL FOR THE INDIAN SUGAR MILLS ASSOCIATION

Mr. RIDDELL. Mr. Chairman and members of the committee, my name is James W. Riddell. I am a partner in the firm of Dawson, Griffin, Pickens & Riddell, 731 Washington Building, Washington, D.C. My firm is counsel for the Indian Sugar Mills Association, an organization of the Indian sugar industry, which by an act of Parliament of the Republic of India has exclusive responsibility for the export of Indian sugar.

India has been privileged to supply sugar to the United States since 1961. In 1961, as a result of administrative action taken by the then Secretary of Agriculture, India shipped 175,000 tons of sugar to the United States. In 1962, a total of 146,540 tons was shipped to the United States. Of this amount, 100,000 tons came in in the first half of the year pursuant to administrative action and then, pursuant to the action taken by the Congress with respect to the Sugar Act in that year, which granted India for the first time a statutory quota in the 0.71-percent category, 8,325 tons were shipped in the second half of the year as basic quota and 38,215 tons were shipped as global quota. In 1963, 21,823 tons were shipped as basic quota, and 97,638 tons were shipped as global quota. In 1964, 20,326 tons were shipped

as basic quota and 96,195 were shipped as global quota. This year, again pursuant to action taken by the Secretary of Agriculture, India will be permitted to ship to the United States 100,164 tons of sugar. Thus, India has been a major supplier of sugar to the United States since 1961 and has averaged in excess of 100,000 tons of supply per year.

From these figures, it will be noted that since 1962, when India was first granted a statutory quota, she has supplied to the U.S. sugar in an amount roughly five times as great as her statutory quota.

When I first appeared before this committee on May 25, 1962, to plead the cause of India for a statutory quota, the questions that were quite properly asked of me by the members of this committee were directed to the potential of the sugar industry of India to fulfill a commitment to the U.S. market. Today I am in a position to point with some pride at the record of India's performance. In every respect the Indian sugar industry has fulfilled its commitments under the Sugar Act.

I think that the best evidence of this lies in the fact that the Secretary of Agriculture has allotted to India for the calendar year 1965, an administrative quota in the amount of 100,164 tons, and that the bill forwarded for the consideration of this committee would give India a quota and an allocation of the Cuban quota which would permit shipments under the act of approximately 100,000 tons. This action was taken by the administration while in full possession of all of the relevant facts, including India's performance during the critical years of 1963 and 1964 when, for the first time in a great many years, the world price of sugar exceeded the U.S. price.

Mr. Chairman, I do not call attention to India's performance in 1963 and 1964 for the purpose of laying any claim in any way based upon gratitude. India performed in 1963 just as she performed in 1961, 1962, 1964, and as she will perform in 1965, and in every other year for which you gentlemen see fit to grant her the privilege of selling in the U.S. market. India has performed and will perform for the simple reason that she is grateful for an opportunity to sell her sugar in the best market in the world. Further, the need to sell sugar to the United States is greater than that of any other nation in the world.

I am aware that the argument has been made on behalf of others who have appeared here that because their particular clients performed in 1963 and 1964, they are now entitled to some special consideration. Mr. Chairman, in my judgment, a seller who has not the sense to take a short-term loss to protect his long-term interests is not entitled as a matter of simple business to a U.S. quota for sugar. That the various foreign suppliers of the world who were privileged by the action of this committee to sell in the United States did so in 1963 and 1964 when the world price was higher than the U.S. price simply demonstrates that the reasons for the Sugar Act are valid and its purposes fulfilled. The U.S. price is fixed with the objective of securing to the people of the United States a stable supply of sugar. Who can claim credit for having performed in such a way as to carry out the purposes of the act? India cannot and, in my view, neither can any other nation.

I pitch my case for an increased quota on quite different grounds: Upon India's ability to deliver—to fulfill its commitments to the U.S. market; upon the need of the people of India for a place in the U.S.

market; and upon the advantages to the people of the United States which are offered by a market of over 488 million people.

India is among the largest sugar producers in the world. If indigenous sugars, gur and Khandsari are taken into account, production is well over 7 million tons per year. Of this, over 3 million tons is centrifugal sugar produced in 226 vacuum sugar factories, and it is expected that higher production of centrifugal sugar will be achieved in the years to come. Today the annual export target for India is set at between 500,000 and 750,000 tons per year.

India is the largest sugarcane producer in the world, producing in excess of 105 million tons per year on over 5.6 million acres of land and accounting for about one-third of the world's total acreage of sugarcane. It can be seen from that large acreage that the overall productivity of the ground is not high for the yield per acre. But it can be expected with the building of fertilizer factories and the coming of irrigation projects that the yield per acre must go up, and with India's ability to become a greater world factor in the sugar market.

The CHAIRMAN. And the consumption in India is quite small per capita, is it not?

Mr. RIDDELL. Yes; it is. And that might be said of almost every other thing, rice, wheat. The people are poor, they do not have the money to buy sugar. In every respect they are low consumers. But the object of the world, Mr. Chairman, is, I hope, to increase the overall well-being of the people of the world. And, certainly, it is to be hoped that India, which is only 18 years old as a nation is going to show progress with the help of the United States. And that is one of the reasons that I am here to pray that you will continue to permit us to sell sugar in this market to earn foreign exchange dollars and to buy more from the United States.

This acreage is divided between over 4½ million growers. These growers and their dependents number over 20 million people. When this number is added to those people who are directly employed by the sugar processing industry, which is the second largest industry in India, it means that over 21 million Indian people are directly dependent on sugar for their livelihood. This figure is larger than the total population, Mr. Chairman, of most of the countries who are here asking for a sugar quota.

For a nation numbering in excess of 480 million souls, this figure is not large, but every citizen of India has a direct interest in what this committee does with respect to India's privilege to sell sugar in the U.S. market.

India needs everything. She offers the largest market in the free world, but unless she is permitted to sell, she cannot buy. Every dollar that India is permitted to earn through the export of sugar to the United States will be returned to the manufacturers, merchants and farmers of this country in trade. When I last appeared before this committee, I made this promise and I can report to the members of this committee that it has been fulfilled. Every dollar that India has earned has been spent here.

India's balance of trade with the United States is most unfavorable, as the following figures demonstrate:

*United States-India balance of trade*¹

[In millions]

Year	U.S. exports	India exports	Balance
1960.....	\$641	\$228	\$413
1961.....	483	252	231
1962.....	670	255	415
1963.....	817	295	522
1964.....	955	305	650

¹ Source: Overseas business reports, International Trade Analysis Department of Commerce.

This committee, which is charged with the duty of protecting and promoting the interest of American agriculture, has every right to be interested in what agricultural commodities the nations of the world who wish to sell sugar in the market will buy from the farmers of the United States. Among the sugar-exporting nations of the world, India is the largest importer of U.S. agricultural commodities. The following figures indicate the extent to which U.S. agricultural products are finding a market in India.

These figures I have set forth in my statement indicate this. The balance will continue to move in this direction. India right now is confronted with a famine which is going to mean that she has to be knocking on the door of the United States and is now knocking on the door of the United States asking that over the next 3 or 4 years that over \$1 billion worth of grain will be given to her. She has asked that it be given to her; otherwise, her people will starve. She does not have the money with which to purchase it. And unless she can sell the two things that she has to sell then her total opportunity for earning dollars is foreclosed.

(The table indicated is as follows:)

Imports of agricultural commodities into India

[In millions of dollars]

	1961-62	1962-63	1963-64
From all countries.....	412. 44	513. 95	457. 53
From United States.....	227. 16	270. 50	311. 93

Imports of certain agricultural commodities into India

[In millions of dollars]

	1961-62	1962-63	1963-64
Wheat imports.....	197. 13	237. 49	216. 00
From United States.....	172. 00	214. 00	208. 93
Rice imports.....	39. 33	56. 72	42. 84
From United States.....	14. 00	25. 00	27. 76
Cotton imports.....	131. 59	119. 53	102. 88
From United States.....	54. 79	38. 22	46. 68
Corn imports.....	6. 49	4. 03	6. 43
From United States.....	6. 49	4. 03	6. 43
Tobacco imports.....	2. 39	2. 88	1. 65
From United States.....	2. 39	2. 88	1. 65

Mr. RIDDELL. While it is true that the overwhelming bulk of these commodities are supplied to the people of India pursuant to the terms of Public Law 480, and it is true that Public Law 480 shipments and other U.S. aid accounts for India's deficit in trade with the United States, the fact remains that she cannot buy unless given an opportunity to sell.

As I have said, the people of India need everything. They offer the largest and least developed market in the free world to the people of America, but in order to purchase the goods and services offered by the businessmen and farmers of the United States, they must be permitted to earn U.S. dollars with which to do business. Sugar is the commodity upon which India is largely dependent at the present time in earning dollar revenues. The United States needs sugar, India can supply a part of the U.S. demand. India needs the goods, services, and agricultural commodities of the United States. What is needed is dollars. These can only be obtained by the opportunity to sell.

The sugar industry of India has demonstrated its ability to perform within the terms and purposes of the Sugar Act. As a nation, India is perhaps more dependent upon an opportunity to sell sugar in the United States than any other nation. The dollars produced therefrom aid more people than in the case of any other nation in the world.

Mr. Chairman, it is our hope that this committee will, in the legislation presently under consideration, provide India with the continued privilege to sell sugar in the U.S. market and that a quota of no less than that provided under the terms of the bill under consideration will be authorized.

The CHAIRMAN. Thank you. You made a splendid statement on behalf of India. I am delighted to have you with us. Are there any questions?

Mr. POAGE. I will ask Mr. Riddell about these figures. These include Public Law 480 sales, do they not?

Mr. RIDDELL. They, certainly, do. And they account for the deficit.

Mr. POAGE. That seems to me to be somewhat misleading. I do not mean that you are misleading us, but I mean that that very Public Law 480 setup is apt to give the wrong impression to the American people. You say, for instance, on page 6 that we sold India \$955 million worth of goods. Do you have any idea how many dollars we were paid for those goods?

Mr. RIDDELL. Mr. Poage, as I stated on page 8 of my statement, while it is true that the overwhelming bulk of these commodities were supplied to the people of India pursuant to the terms of Public Law 480, and it is true that Public Law 480 shipments and other U.S. aid accounts for India's deficit in trade with the United States, the fact remains that she cannot pay cash for anything unless she is given an opportunity to sell.

Mr. POAGE. That is true of any nation in the world.

Mr. RIDDELL. That is true. And India is prepared to pay in the only currency that she has, that is, in rupees. Those rupees are available to the United States for whatever purposes the United States desires to make of them.

Mr. POAGE. No, no. That is not correct—not by a long lot. Those rupees are available to the United States only under the terms of the Public Law 480 agreement.

Mr. RIDDELL. Yes.

Mr. POAGE. Which provides—well, I know that a new agreement is being entered into, but these you have been talking about provide for a grant to the Republic of India of a 42½-percent loan. So is it not a mistake to suggest that they are available for any purposes that the United States wants to use them? Unfortunately they are not.

Mr. RIDDELL. Within India.

Mr. POAGE. They are not available freely even there for our purposes. The purposes for which they may be used are strictly limited by the agreement. Those purposes are in terms of the development of India. That is the building of harbors and the building of some grain storage and the building of a great many things in India, but the United States has no right to take and use those rupees just for U.S. purposes, except to a very limited amount of them. 42½ percent of those rupees that you are talking about, those figures are listed here as a gift to the Indian Republic by the United States, and another 42½ percent have been loaned to India.

Mr. RIDDELL. That is a well-accepted fact. That is a well-accepted fact.

Mr. POAGE. So that it is not a fact that they are available to the United States for any use that we want to make of them. That is determined by the original agreement.

Mr. RIDDELL. That is true.

Mr. POAGE. There is another agreement that is coming up very shortly. We do not know what that will have in it.

The point I want to make, to keep the record straight, is that we cannot say that these people are doing so much and working very hard to help the United States. I understand their need, but I do not understand the great advantage to the United States that the United States gets out of dealing with India, because the United States does not get much money or goods from India. And surely we get very little help, moral or physical, from India in our efforts to stop aggression. And that is why I asked you if you can give us any idea as to how much of these agricultural commodities have been paid for in money. Wheat, for instance, that is the largest item in the list.

Mr. RIDDELL. I would have to make the statement——

Mr. POAGE. I beg your pardon?

Mr. RIDDELL. I would have to make this statement, to supply it for the record in more detailed form.

Mr. POAGE. I am not talking about the record. I am talking about at hand knowledge. It is very easy here for anybody who does not want another impression to be made to supply a statement for the record and to get into the record at a later date and then nobody knows what the answer is until it is too late. I am not asking for anything accurate. I am asking for a general idea as to what part of that figure was paid in dollars. They imported \$197 million worth of wheat. That is right, is it not?

Mr. RIDDELL. If I made the statement, Mr. Poage, that 99 percent of what has been exported by the United States to India has been under the terms of Public Law 480 or other terms. I probably would not be too inaccurate.

Mr. POAGE. I think that would be about right. Now, let us see what other countries have done. What is India paying other countries.

They imported about \$8 million worth of wheat from Canada; I believe it was.

Mr. RIDDELL. She has not had the foreign exchange to pay anybody. Her foreign exchange has been relatively stable for the last 5 years; that is to say, at a very low level.

Mr. POAGE. Let us understand where that foreign exchange is going, because we bought sugar from India, did we not?

Mr. RIDDELL. Yes.

Mr. POAGE. We paid dollars for it, did we not?

Mr. RIDDELL. Yes.

Mr. POAGE. Where did those dollars go?

Mr. RIDDELL. They were spent here in the United States.

Mr. POAGE. They were?

Mr. RIDDELL. Every one of them.

Mr. POAGE. That is what I am trying to find out. How do you know that they were spent in the United States?

Mr. RIDDELL. Well, sir, international bookkeeping being what it is, and having a lack of authority with respect to it, I am relying upon the statement of my clients. I think that you have a very valid point. Would you prefer in my answer to your question that I produce a letter to be directed to each individual member of the committee so that we can find exactly where the dollars went?

Mr. POAGE. No; I am not trying to find exactly where every dollar went. I am just trying to get a broad idea on this. You just stated that 99 percent of our exports to India were paid for in rupees. That would probably be about correct. I think that—

Mr. RIDDELL. Right.

Mr. POAGE. It may be 95 percent, some such figure, but it is a very high percentage. Therefore, they did not spend many dollars.

Mr. RIDDELL. They spent all of their dollars that they had and they have had very few dollars.

Mr. POAGE. Now wait, they sent us 100,000 tons.

Mr. RIDDELL. India has earned about \$15 million per year from the sale of sugar in the United States since 1961. Upon consultation with my clients I reminded them of a letter written to this committee in 1962. I said that at that time I was authorized to state that every dollar that she was permitted to earn through the sale of sugar she would spend in the United States. Has that promise been kept? I have been informed that it was. I regret that I am not now in a position to be specific in my statement as to precisely what it was spent for, but I believe that it has been spent here. I think that is a statement, incidentally, Mr. Poage, which no other nation that has appeared here can make.

Mr. POAGE. Would you make that same statement in this session?

Mr. RIDDELL. No; I did not. But I would be glad to make such a statement.

Mr. POAGE. I want to be sure that I understand you. You say that it is a statement that no other nation can make—a statement that they cannot make. You are talking about those that got as much help from the United States and, therefore, owe the United States so much—that is what you are saying?

Mr. RIDDELL. No, no. I am simply stating that the situation is that in the economy of the nations of the free world that they have opportunities to earn dollars from a great many sources and to earn foreign exchanges from a great many sources. For example, let us take Australia. Australia is one of the leading wheat exporters of the world or, rather, Canada is. It is possible for Australia to do business with Canada and for the foreign exchange thereby earned to be transmitted to the channels of the world by triangulation.

Mr. POAGE. What does Australia buy from Canada?

Mr. RIDDELL. I imagine she buys a great many things from Canada. I am no authority on the trade.

Mr. POAGE. You are suggesting that Australia sells to Canada. Australia produces about the same sort of things that Canada does.

Mr. RIDDELL. I am afraid that I chose a poor example.

Mr. POAGE. Obviously, this example is not just true. Australia does not buy any large amounts of goods from Canada. She cannot sell Canada any large amounts of goods, because her goods are not complementary but they are, basically, in competition with those of Canada. Canada is, as you said, one of the major wheat exporters of the world. Wheat is a major export from Australia. Obviously, they are not going to sell to each other.

Canada is a major meat producer of the world, and so is Australia. Obviously, they are not going to sell to each other.

Australia has become in recent years a major copper producer, and so, also, is Canada. Obviously, they are not going to sell to each other.

Mr. RIDDELL. Let me take another example. I changed horses in midstream and got into trouble. Australia is a major exporter of wheat in the world. She is in a position to sell to Red China. She does sell to Red China. She sells for whatever she can get. If she gets gold she can utilize the gold to purchase locomotives or whatever she wants from the United States. The examples could be multiplied all over the world.

The only thing I have said is that India is such a poor nation, relatively speaking, that she has so little that the rest of the nations of the world presently want that she has to have an opportunity to sell the few things that she has to sell in order to earn dollars, pounds sterling, or any other currency of the world. That is all I have said.

Mr. POAGE. Let us get two things straight. In the first place, does India sell sugar into the Commonwealth Market?

Mr. RIDDELL. Yes, sir; they do. If you will bear with me for a minute. I have the figures right here. For the first time this year, Mr. Poage, India is being given an opportunity to sell within the terms of the Commonwealth Agreement. For example, she will be given an opportunity to share that market to the extent of 25,000 tons. Australia, for example, this year will sell 335,000 tons in that protected market. British Honduras will sell 20,500 tons. Fiji will sell 140,000 tons. Mauritius will sell 380,000 tons. The British West Indies will sell 725,000 tons in that market. Swaziland will sell 85,000 tons, and Rhodesia will sell 25,000 tons.

Now when the Commonwealth Agreement was negotiated earlier this spring India was, for the first time, given an opportunity to sell in a protected market. The total allotment to her under the agreement was 25,000. She stated at the time that as a result of the Kennedy

Round of Talks and her commitments to give up her tariff preferences throughout the world as a result of these talks that she could join with that limitation and understanding at 25,000 tons out of a total market well in excess of 1,500,000 tons, most of which is supplied—all of which is supplied, rather, by other nations who are here seeking an opportunity to sell in this market.

Take a look at the figures, Mr. Poage; 335,000 tons, 380,000 tons, 725,000 tons, 85,000 tons, 140,000 tons.

The CHAIRMAN. These have a long history of selling to Great Britain.

Mr. RIDDELL. I assume that they have a long history of doing so. They are sugar-producing nations. I assume that they have been longstanding markets. But the point, if there is a point, is simply this, that 480 million people are here asking for an opportunity to sell, roughly, 100,000 tons in this market.

Mr. POAGE. That does not answer my question. I do not mean to condemn anyone on anything. India is bound to have some hard money.

Mr. RIDDELL. I am sorry.

Mr. POAGE. She spends it in the United States you say. With whom did she spend it? She did not spend it for farm products. Did she spend dollars in other countries?

Mr. RIDDELL. I will have to do the best I can, Mr. Poage. I will have to supply you with the information. I know that she has spent every dollar that she has earned from sugar in the United States. I assume that she is spending every dollar that she is given an opportunity to earn in the United States, within the United States.

Mr. POAGE. That is not the question I am asking. I am asking where is she spending it.

The CHAIRMAN. He told you.

Mr. POAGE. He told me that he could not tell about the dollars spent in the United States. I am asking about those dollars. I know about that. That is exactly what I am asking. That is not what he is telling me. How is she paying for the goods she gets from Great Britain and from Australia—and those that she gets from Canada, how is she paying for the goods that she gets from Russia?

Mr. RIDDELL. Mr. Poage, I will have again to say that I do not know the answer to the question. I will be glad to give it to you.

Mr. POAGE. All right.

The CHAIRMAN. Thank you very much.

Mr. MATSUNAGA. From the different arguments we have heard here I would suggest humbly that the line of argument that we should favor India because we benefit more be abandoned and that the stronger argument that India is a reliable, steady supplier, be put forth instead.

Mr. RIDDELL. I did not mean to put forth that argument that India benefits the United States. I hope that I clearly said that she is very much in a position of a donee of the U.S. generosity.

The CHAIRMAN. Thank you very much.

Mr. RIDDELL. Thank you.

The CHAIRMAN. Our next witness is Mr. James M. Earnest, counsel for the Mauritius Chamber of Agriculture and the Mauritius Sugar

Syndicate, accompanied by A. Guy Sauzier, office of the London representative, Mauritius Chamber of Agriculture, London.

Mr. Earnest.

STATEMENT OF JAMES M. EARNEST, COUNSEL, MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE, ACCOMPANIED BY A. GUY SAUZIER, OFFICE OF THE LONDON REPRESENTATIVE, MAURITIUS CHAMBER OF AGRICULTURE, LONDON

Mr. EARNEST. Mr. Chairman, members of the committee, my name is James M. Earnest. I am a practicing attorney in the District of Columbia, having offices in the Woodward Building. I am appearing here on behalf of the Mauritius Chamber of Agriculture and the Mauritius Sugar Syndicate. The Syndicate is a statutory organization which controls the marketing of sugar on the island of Mauritius; and, together with the people of Mauritius and the people of the United States, it has a very vital interest in the United States sugar program. I have a prepared statement, but in order to economize on the committee's time, I will condense my oral statement to the more essential points, and request permission to file my prepared statement in the record.

I have with me to assist in answering any questions which might be posed Mr. A. Guy Sauzier, who is a London representative of the two organizations which I have mentioned. They are both private organizations. Mr. Sauzier does not represent the Government of Mauritius. He was, however, for quite some time before coming to London a member of the Legislative Council of Government and thereafter a Minister in the Government for some years. Now he is quite prepared because of his experience to help me answer questions.

Because of the carrying over the sessions until today, he had to remain in Washington over the weekend. He was quite prepared to be at the hearings this morning. This has given him an opportunity of two very thrilling experiences. The first came when he watched the television report of the countdown and the lift-off of Gemini precisely on schedule. The second came when he watched Gemini's pass over the U.S. tracking station on Mauritius exactly 52 minutes and 36 seconds after takeoff. And although I do not suggest that this is an indication of the time required for shipments by Mauritius of sugar to this country, we believe it no doubt evidences the close cooperation between Mauritius and the United States in this great accomplishment of which we are, indeed, proud.

I have placed here by way of identification of Mauritius and, also, in order to demonstrate its increasing strategic importance to the United States of America a large map, replicas of which have been enclosed in a number of the pamphlets which have been distributed to the committee members.

Mauritius is a small sugar island situated about 550 miles east of Madagascar and about 1,600 miles east of African mainland, down here in the southwest quarter of the Indian Ocean. It is approximately 38 miles long and 29 miles wide, and its total area is about 720 square miles. Its climate and soil are well suited to the cultivation

of sugarcane, and over 45 percent of its total area is planted with sugar.

Politically, Mauritius is a British Crown Colony which enjoys a large measure of internal self-government. It has been a British colony since 1814 when it was ceded by France to Britain by the Treaty of Paris.

It is the administrative center for a number of small island dependencies anywhere from 200 to 1,200 miles to the east and northeast. Some of these islands are coming into prominence as potential joint United States-United Kingdom military bases in the Indian Ocean. Mauritius itself has served as an important tracking station for manned satellites of the U.S. space program, and a joint United States-United Kingdom nuclear detection station is now being set up.

Mauritius is an island of democracy. It has a stable government which it has achieved by gradual evolution and it can be cited as a model of democratic and orderly development. It is a friendly government, oriented generally to the West.

Mauritius has been producing sugar for more than three centuries. It is a sugar island to a greater extent than any of the West Indies; in fact, no country in the whole world is so exclusively dependent upon sugar.

To correct the statement made by the representative of the Dominican Republic to the effect that that country was the country in the world most dependent upon sugar. There is such a country but it is Mauritius, sir, and not the Dominican Republic.

Sugar and its byproducts account for 98 percent of the value of its export trade, and Mauritius is one of the 10 largest sugar exporters in the world. Sugar production this year will be over 700,000 short tons, and by 1970 should exceed 850,000 tons annually. The Mauritius Chamber of Agriculture estimates that in 1966, Mauritius will have available for export 750,000 tons of raw, cane sugar.

And here, again, I would, also, challenge a statement, if I understood it correctly, by our distinguished friend, Charles Brown, to the effect that we are larger exporters of sugar, because we have 650,000 tons against his 300,000 tons. The facts speak for themselves, sir.

Mauritius has a very high population density, more than 1,000 per square mile. It has a population of 730,000. Since industrial development of the island is precluded by its geography and by its lack of natural resources, and since any really significant diversification of its agriculture is not very probable, Mauritius must continue to depend on its sugar trade. Only by increasing sugar production and sugar trade can Mauritius expect to maintain its present standard of living, let alone improve it, and to earn the foreign exchange necessary for its imports from this country and elsewhere.

Let us refer briefly to the record which preceded these hearings.

Mr. Chairman, I have briefly told you of Mauritius and of its inevitable and continuing dependence on the export of sugar. May I now make a statement, for the record, so as to eliminate any possible misunderstandings and so as to clarify to all interested parties the position of Mauritius.

Mauritius has been ready, willing, and able to supply sugar to the United States in 1962, 1963, 1964, and 1965; and we stand ready to participate in providing such supplies during the future to the extent

deemed appropriate by this committee and by the Congress of the United States.

Let us look at 1962. Mauritius made an application for allocation of an import quota under the U.S. sugar program. After exhaustive studies and deliberations, this committee recommended and the House approved the allocation to Mauritius of a basic quota of 10,000 tons, and reallocation of 100,000 tons from the Cuban reserves, thus making a total of 110,000. However, when the Sugar Act Amendments of 1962 became law, the quota provision for Mauritius was not included, for no apparent reason. Its gratification was short lived.

In spite of this, Mauritius took the first opportunity to supply sugar to the United States in an endeavor to show good will and its ability to meet the requirements of your market. This opportunity presented itself through the provision of the Sugar Act of a global quota to be allocated to foreign suppliers on a first-come, first-served basis. In the second half of 1962, Mauritius shipped 13,000 tons of global quota sugar to the United States.

Let us look at 1963. In the second half of 1963, when the price was, as has been demonstrated by many able witnesses, higher on the world market than on the U.S. market, Mauritius stripped itself of uncommitted reserves and shipped 67,000 tons of sugar to the United States. In fact, Mauritius was the largest supplier of global quota sugar to the United States in 1963 out of the countries which had no basic quotas. This it did on a purely voluntary basis, in an endeavor to show its good will and its ability to help the United States in times of need.

Let us look at 1964. Late in the preceding year, 1963, the U.S. Department of Agriculture had invited applications for global quota sugar during 1964 in an amount of 1 million tons out of an estimated requirement of 1½ million tons, and indicated that priority would be given to supplies able to reach the United States in the first 7 months of the year. By reason of its shipments in the latter half of 1963, Mauritius had then no uncommitted sugar left over from its 1963 crop and its next crop was due to be harvested in June and July 1964. It could not, therefore, apply for a set-aside, then, for the first 7 months of the year.

Nevertheless, Mauritius informed the U.S. Department of Agriculture by letter dated January 14, 1964, that it was its firm intention to supply about 60,000 tons of sugar in the second half of 1964, and would in fact be prepared to commit itself to do so, subject only to the 1964 crop not being adversely affected by disaster before the end of the cyclone season. For reasons stated by the U.S. Department of Agriculture in its reply, Mauritius' application was not entertained, and, as is well known, the 1-million-ton requirement was fully subscribed by January 27, 1964. In support of these statements, we file with the committee copies of the letter of the Mauritius Chamber of Agriculture dated January 14, 1964, to the U.S. Department of Agriculture and the reply to this letter dated January 17, 1964. As no further sugar was needed by the United States in the second half year, against the ½ million tons of the original estimated requirement, Mauritius was unable, through no fault of its own, to ship any sugar to the United States in 1964.

Although some might ascribe faulty judgment to Mauritius in its heavy shipments in 1963 and thus placing reliance wholly on its 1964

crop to supply, during the latter half of that year, the U.S. market, I must say that we stand on the record, to clearly establish that Mauritius was willing to supply sugar to the United States in both 1963 and 1964, when the world prices were higher than those paid in the United States.

Let us look to 1965. We here enter the period of formula which ascribes greater weight to shipments in 1964 than to those in 1963. We do not question the good intention of the authors of this formula—but to this committee, in its legislative capacity, we do ask the question, in view of the record, is the application of this formula to Mauritius equitable? Obviously we think it is inequitable. In support of our opinion we cite:

(a) This committee's allocation to Mauritius of a total of 110,000 tons of global sugar in 1962.

(b) Mauritius shipments in 1963 totaling 67,000 tons.

(c) Mauritius willingness in 1964 to ship 60,000 tons.

(d) The surprising result of the formula which would reduce the quota of Mauritius to below 15,000 tons in the administration bill.

We agree with the view, Mr. Chairman, of the spokesman for Brazil that there is no particular merit in giving double weighting for 1964 rather than 1963, and that for suppliers who, like Brazil and Mauritius' supply in the second half of the year it has worked manifest hardships against us. I might interpolate that we shipped in the second half of 1962 and the second half of 1963, and we were willing to ship in the second half of 1964, but this was denied us.

The CHAIRMAN. Excuse me for interrupting. Is that contained in any part of your statement or your attached records?

Mr. EARNEST. The letter in reply to our letter written by Mr. Thomas Murphy is attached, Mr. Chairman, to my condensed statement of the longer statement, both statements being contained in a bound brief holder. And I ask leave to file all of that as one composite exhibit for the record.

The CHAIRMAN. Very well. That may be done.

Mr. EARNEST. In respect to justification for Mauritius' quota, we would ask you to consider six points:

1. Mauritius is among the 10 largest exporters of sugar in the world.
2. Mauritius has a stable democratic government and is a reliable source.

3. Mauritius has demonstrated its ability and its willingness to supply the United States in times when its market was less attractive than the world market.

4. Mauritius imports from the United States have consistently, with the exception of 1963, exceeded its exports to the United States. Mauritius has for many years been importing considerable quantities of machinery, chemicals, tobaccos, and other products from the United States of America. In this regard, it may be of interest to note that during the period 1952-59 its imports from the United States of unmanufactured tobacco represented 58.7 percent of its total imports of this commodity from all sources. In 1959 it was 74 percent. It has remained at that level ever since. In 1964 its total U.S. imports aggregated over \$2 million. With the availability of dollars from exportable sugar, the subject now under consideration, the sales of U.S. goods in Mauritius, will surely increase.

5. Mauritius is of increasing strategic interest to the West; and its orientation in that direction will be further assured by an equitable share of the U.S. global sugar allocation.

6. Mauritius has demonstrated, by action, that it is a friend of the United States.

And then very briefly, how about quota?

I believe it is reasonable to take into consideration the exhaustive deliberations of this committee in 1962 when Mauritius was allocated a basic quota of 10,000 tons and a reallocation from the Cuban reserves of 100,000 tons, or a total quota of 110,000 tons. Since that time, both the production and consumption of sugar has expanded, and a quota of 120,000 tons would be commensurate both with Mauritius' status as a world sugar exporter and with the proposed allocation made by this committee in 1962. To the extent that this committee deems it necessary to reduce the total tonnage to be imported from world sugar exporters, it is also reasonable that this amount be similarly adjusted. Such an allocation would enable Mauritius to maintain and develop its trade relations with the United States.

It would greatly assist, on a sound financial basis, a developing territory that is of increasing strategic importance to the United States. In addition, it would be the first opportunity for the United States to demonstrate its willingness to buy something from Mauritius and change this historically one-way street into a two-way thoroughfare of trade. The quota proposed by the administration bill now before the committee, on the basis of the U.S. assumed requirements of 9,700,000 tons, would grant to Mauritius a quota of 14,916 tons. This I submit, is quite inadequate and does not do justice to Mauritius having regard to its position as a world supplier of sugar, to its dependence upon sugar for its livelihood and to its demonstrated willingness to supply the U.S. market during 1963 and 1964, when the United States was in need of sugar from world sources.

Nevertheless, if the committee were disposed to accept as one criteria, the formula proposed by the administration as one of criteria for the allocation of quotas, I then submit that the offer made by Mauritius, to ship 60,000 tons in 1964, should certainly be taken into account and the allocation to Mauritius accordingly revised. We estimate that this, by itself, would increase the percentum of Mauritius, as noted on page 4 of H.R. 10496, from 0.28 to 1.15 percent. It seems, therefore, that in all fairness and equity, and taking all relevant circumstances into account, we ought to get something in between the high and the low. Mauritius should not receive less than a share of 1.5 percent.

Finally, Mr. Chairman, I should like to make it clear that Mauritius does not claim a quota from the United States as a matter of right—but as a matter of equity and justice. It does not set out of this distinguished committee of the Congress of the United States to dictate its sugar policy to the United States. It does not oppose the United States giving some priority to treatment either to its domestic or off-shore producers, or to the Philippines, or to Latin American countries. But Mauritius does contend that if the United States goes outside of these territories for part of its sugar supplies, then Mauritius has at least as good a case as other foreign suppliers for a substantial quota; and, on analysis, indeed a better one than many of them.

May I conclude by relaying my principal's expression of gratitude to the committee for granting them the privilege of discussing with you this very important subject and of presenting their views on H.R. 10496.

I am sure that I am followed by the distinguished gentleman on my right in saying to this committee our thanks for granting us the privilege of discussing with you this very important subject and of presenting our views on H.R. 10496.

Now, Mr. Chairman, so that the record is clear I have, as I have indicated, prepared a somewhat lengthy statement, but rather than be repetitive we have prepared the condensed statement, which is in the bound volume, and I ask leave to file that as a part of the record.

The CHAIRMAN. Thank you very much, Mr. Earnest. That may be done.

(The statement referred to follows:)

STATEMENT OF JAMES M. EARNEST, COUNSEL FOR THE MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE

Mr. Chairman and members of the committee, my name is James M. Earnest. I am a practicing attorney and my offices are in the Woodward Building in this city. I am appearing here on behalf of the Mauritius Chamber of Agriculture, and the Mauritius Sugar Syndicate. The syndicate is a statutory organization which controls the marketing of sugar on the island of Mauritius and which together with the people of Mauritius and the people of the United States has a very vital stake in the legislative revision of the U.S. sugar program.

I. IDENTIFICATION OF MAURITIUS

Geography

Mauritius is a pear-shaped island of volcanic origin in the Indian Ocean, lying about 550 miles east of Madagascar and about 1,600 miles east of the African mainland. The island has several low mountain ranges and numerous rivers and streams. The land rises gradually from the coast to form an inland plateau. The dimensions of the island are approximately 38 miles in length (roughly north-south) and 29 miles in width; its area is about 720 square miles, which is slightly more than 10 times the area of the District of Columbia and a little more than one-half the area of Rhode Island.

Lying far from any land mass, Mauritius has a moderate, maritime climate, tropical during the summer and subtropical during the winter. The mean annual temperature is 74° F. at sea level and 67° F. at 2,000 feet. The climate and soil of Mauritius are well suited to the cultivation of sugarcane and the island is a "sugar island" to an even greater extent than Barbados or any West Indian island. Over 45 percent of its total area is planted with sugar; and sugar represents 98 percent of the total value of its export trade.

More than 730,000 people, or somewhat more than 1,000 people per square mile, inhabit this island. Port Louis is the capital, and is the main town and port. Less than 20 miles inland, and on the plateau is Curepipe, the second largest town which is much used as a residential district owing to its cooler climate.

Mauritius is a vital link on the sea and air routes to the Far East and Australia. It has a good harbor which can easily accommodate 10 ships. Mauritius serves as an operational stop on the air route between Africa and Australia, and is the terminus of services operated by BOAC and Air France from Europe and Africa. Its airport now offers facilities for large jets.

Political

The Portuguese discovered Mauritius early in the 16th century. It was then uninhabited, though it was known to the Arabs and Malays, who had used the island for centuries for a shelter. The Dutch took possession of the island in 1598 and named it Mauritius after Prince Maurice of Nassau. The Dutch finally abandoned their attempt to settle the island in the early years of the 18th century. A more successful attempt at settlement was made by the French East Indian Company, which later surrendered its administration to the French Government. The French occupied the island, which they called Ile de France, for nearly a century and established the sugar industry there.

During the Napoleonic Wars, Mauritius was the base for damaging raids on British ships in the Indian Ocean, and in 1810 the British organized an expedition which resulted in the capture of the island. Mauritius and its dependencies were ceded to Britain under the terms of the Treaty of Paris, in 1814. The island was then renamed Mauritius by the British and has remained a British colony ever since.

Because of its geographical position and natural harbor, Mauritius, until the middle of the 19th century, was mainly regarded as an important military outpost. With the opening of the Suez Canal and the progressive elimination of sailing ships by steampower, the economy of the island became more dependent on its entrepot trade and its gradually developing sugar industry, which, by the end of the 19th century, was producing about 200,000 tons of sugar annually.

Politically, Mauritius is a Crown colony of the United Kingdom, which enjoys a large measure of internal self-government. It has undergone a gradual constitutional evolution since 1948. The ministerial system was adopted in 1957 and universal adult suffrage was introduced in 1959. Under the order-in-council of 1964, the Government of Mauritius is vested in a Governor with a Council of Ministers and a Legislative Assembly. The Legislative Assembly is made up of 40 elected members and certain ex officio and appointed members.

The Council of Ministers is made up of the Premier, the Chief Secretary, and not less than 10 or more than 13 Members of the Legislative Assembly appointed by the Governor after consultation with the Premier.

Local government is vested in a municipal council (established in 1850 for Port Louis), four town councils, and several district village councils.

A number of small islands, from 200 to 1,200 miles to the east and northeast, are dependencies of Mauritius. The most important of these, economically, is Rodriguez, lying 350 miles to the east with an area of 40 square miles and a population of some 18,000. Other Mauritius dependencies are coming into prominence as potential United States-United Kingdom military bases.

Although there is some movement toward independence and full autonomy there is very little likelihood that Mauritius will completely sever its political ties with the United Kingdom.

Economic importance

The Mauritius economy is exclusively agricultural. While there are some small industrial establishments catering primarily to local needs, there is no possibility of industrial development of Mauritius on any significant scale. More than one-half the island's food supply is imported from overseas, and this includes the staple food for most of the population, mainly rice. Though diversification of the economy is agreed to be desirable, sugar is likely to be the island's mainstay for many years to come.

The economy of Mauritius developed rather slowly during the first half of the 20th century, or until the end of World War II. After that time, and with the introduction of the negotiated-price quota for sugar exported to the United Kingdom, sugar production increased in 10 years from 300,000 tons annually to almost 600,000 tons, and it is expected that production in 1965 will be in excess of 700,000 tons. By 1970 Mauritius sugar production should exceed 850,000 tons annually.

Over 45 percent of the area of the island is now planted with sugar and a slow but steady expansion in sugar acreage has taken place in recent years. There are 23 large estates growing sugar, each with its own factory. There are also some 25,000 small growers with holdings ranging in size from over 100 acres to as little as one-quarter acre. The cane produced on the small holdings is sold to factories at prices fixed by the Central Control Board appointed by the Government. Payment is made on the basis of 68 percent of the value to the grower and 32 percent to the factory. Additional increases in the production of sugar can probably be made in the small holdings where the yield per acre is about two-thirds of the large estates.

Mauritius today is one of the 10 largest exporters of sugar and sugar industry byproducts. It is estimated by the Mauritius Chamber of Agriculture that in 1966 Mauritius will have available for export 750,000 tons of raw cane sugar. By 1969 the tonnage available for export should be approximately 820,000 short tons of raw cane sugar.

In its trade with the United States, Mauritius has traditionally procured more from the United States, in terms of shipped value, than it has sold to the United States. This pattern is not true for the year 1963 in which year Mauritius shipped a large quantity of sugar to the United States, but for most all other years

for which we have reliable figures, Mauritius imports from the United States have far outreached her exports to the United States. This balance of trade between the United States and Mauritius has generally been more favorable for the United States than for Mauritius. According to the latest census data contained in the FT-420 series reports published by the Bureau of Census, Mauritius has purchased chiefly machinery and transport equipment, chemicals, and tobaccos from the United States. These are commodities which are not generally sold at world prices and Mauritius has paid full value for them.

Political and strategic importance

Mauritius is an island of democracy in the southwest Indian Ocean. Only 550 miles east of Madagascar and 1,600 miles away from the African east coast, it stands as one of the more important beacons of political freedom achieved through orderly development. Should Mauritius achieve full and complete independence from the United Kingdom, the measured, orderly pace of its development is certain to result in a continuing, stable, democratic government.

Lying astride important trade routes in the Indian Ocean, it is reclaiming a strategic importance which, as above noted, with the advent of the steamship and the Suez Canal, waned in the middle of the 19th century. Mauritius can play an important role in the development of United States-United Kingdom bases in the Indian Ocean. With an airport large enough to accommodate large jet transports, and lying athwart principal air routes serving Europe, Africa, and the Australian Continent, it becomes a vital link in the aerial navigation of this quarter of the globe. Moreover, and quite recently, Mauritius has served as a base for tracking stations in the Indian Ocean for our manned satellites. Plans are also underway for setting up a joint United States-United Kingdom nuclear detecting station.

II. MAURITIUS SUGAR TRADE WITH THE UNITED STATES

Mauritius sugar trade generally

Sugar, with its products (mainly molasses), constitutes 98 percent of Mauritius exports in value. About 30,000 short tons of sugar are consumed locally, and the balance of Mauritius sugar production is available for its export trade.

In 1964 under the Commonwealth Sugar Agreement, Mauritius sold 368,500 long tons, raw value, of sugar to the United Kingdom at a negotiated sterling price which works out to roughly \$114.66 per short ton, cost, insurance, and freight, United Kingdom; or the equivalent of \$0.05733 per pound. The comparable U.S. price during the same period, according to the Wall Street Journal, was \$0.0620. The difference between sugar sold by Mauritius to the United Kingdom under this agreement and the U.S. preferential price in 1964 was, thus, a shade less than a half a cent per pound. Deducting the U.S. duty of \$0.00625, the United Kingdom price gave Mauritius a slightly higher return.

In 1965, according to an official of the Mauritius Chamber of Agriculture, Mauritius will sell 380,000 long tons, raw value, of sugar to the United Kingdom at a preferential price which is equivalent to \$0.0582 per pound, free on board and stowed. The current U.S. price for raw sugar is \$0.0670 per pound, but from this price there must be deducted duty of \$0.00625; freight of \$0.00595; and insurance, etc., of \$0.00150. The net return on sugar sold to the United States under Mauritius' present allocation is therefore expected to be \$0.0533 per pound, free on board and stowed, which means that the net return to Mauritius per pound of sugar will be something less than a half cent more per pound for sugar sold to the United Kingdom under the Commonwealth Sugar Agreement, than will be the case for sugar sold to the United States under the 1965 quota.

In addition to the 380,000 long tons (420,600 short tons) which Mauritius will sell to the United Kingdom at a special price in 1965, it may export another 100,000 short tons to preferential markets at world prices plus duty preferences ranging from \$10 to \$15 per ton, making a total of approximately 521,000 short tons. Under the 1965 sugar quota for foreign countries, as determined by the Secretary of Agriculture, Mauritius has been allowed a U.S. quota of 15,430 short tons, raw value.

This brings the total sugar which Mauritius will export to preferential markets in the year 1965 to approximately 536,430 short tons, raw value. Mauritius' production for 1965 is expected to be 730,000 short tons; deducting sugar which may be exported under preferential trade agreements (including the quota allocation to the United States) and sugar required for domestic consumption, in

1965 Mauritius will have an exportable surplus of approximately 164,000 short tons, raw value.

For the period 1966 through 1969 it is estimated that Mauritius' production of raw sugar will increase to approximately 850,000 tons per annum and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum. This increase in sugar production is vital to the economy of Mauritius, for only by increasing sugar production can Mauritius expect to maintain its present standard of living, let alone improve it. In the immediate prewar period (1936-40) the natural increase of Mauritius population was about one-half of 1 percent per annum. By 1948 it had come up to nearly 2 percent, and a decade later it had reached 3 percent, at which level it has remained ever since without showing the least tendency to drop. If this rate of increase continues unchanged, the population of Mauritius will increase from its present 730,000 to more than 1 million by 1980. While the Government has attempted various measures to diversify the economy of Mauritius and to establish new consumer industries, the country must still rely upon its agriculture and agricultural industries as the mainstay of its economy. Sugar is the one crop which over many years has proved its ability to meet the economic needs of its country. It is by no accident that sugar has come to occupy such a large place in the economy of Mauritius. Since the early days of French occupation many crops have been grown in an effort to diversify the economy of the island. None of them, however, has been able to compete with sugar in respect to (a) economic return; (b) resistance to cyclones and drought; and (c) adaptability to climate and soil. In fact, few of them have ever contributed more than marginally to the economy of the country, and sometimes for brief periods only.

It should not be assumed that this great dependence upon sugar is welcome in Mauritius. Despite the fact that little success has been made in the development of new agricultural crops, continuing efforts have been and are constantly being made to achieve some measure of crop diversification. Most successful has been the cultivation of tea with the result that in 1963 about 2 million pounds of tea were grown for export and plans have been made to develop three new processing plants during the period 1965-71 to handle increased production of tea.

The development of new industry, apart from small industries catering principally to local needs, is almost precluded by Mauritius' peculiar geography. With no mineral resources, the development of any manufacturing industry for export trade would be hampered by the fact that all of the raw materials for any such industry would have to be imported. Moreover, no significant industrial development could be contemplated unless there were some expectation of a remunerated export market. But Mauritius could hardly expect to compete with the great island manufacturing countries of Britain and Japan, and the cost of importing raw materials and processing them for reexport would be prohibitive.

It follows from the foregoing, therefore, that willy-nilly Mauritius must rely upon an expansion of its sugar production and sugar export trade to support its swelling population.

In 1962 for the first time, Mauritius exported sugar to the United States. The quantity exported in that year was 13,474 short tons, raw value, and the value of the sugar exported was approximately \$1,932,000, or roughly \$0.0563 per pound after deducting duty, freight, and insurance. In 1963 Mauritius shipped approximately 66,617 short tons of sugar to the United States for a total value of roughly \$10,038,000, or roughly \$0.0613 per pound after deducting duty, freight, and insurance. Mauritius shipped no sugar to the United States in 1964.

Outside the Commonwealth and the United States, Mauritius since 1959 has exported sugar to Lebanon, Japan, Korea, and the Seychelles.

Mauritius trade with the United States

Mauritius must import most of its requirements of manufacturing and consumer goods and a large portion of its food requirements, including rice (which is the staple diet of the bulk of the population), flour, meat, and many other items. Generally, foodstuffs have not figured importantly in the U.S. exports to Mauritius. In 1963 the value of the U.S. exports to Mauritius was approximately \$2,026,667. Foodstuffs accounted for only \$47,943, of which rice was the most important item. Mauritius imported in that year over \$161,000 worth of tobacco and nearly \$129,000 worth of chemical products. In the same year U.S. exports of machinery and transportation equipment to Mauritius were valued at \$1,558,033.

In 1964 Mauritius imported from the United States foodstuffs valued at approximately \$83,817, of which nearly one-half was rice. In the same year tobacco manufactures and unmanufactured tobacco accounted for \$189,144, chemical products valued at \$246,299, and machinery and transport equipment valued at \$1,074,140 were imported from the United States. Miscellaneous manufactures accounted for \$64,787. Total imports were \$2,388,000.

In the years 1959-61 Mauritius imports from the United States have generally been approximately five times the value of Mauritius exports to the United States. In 1962 and 1963 this pattern was reversed by Mauritius exports of sugar to the United States but the statistics for 1964 reflect imports from the United States nearly double Mauritius exports to the United States. It will thus be seen that the relationship between Mauritius and the United States has resulted in a favorable balance of trade for the United States and an unfavorable balance of trade for Mauritius.

In its trade with the United States, Mauritius has enjoyed no particular trade advantages. While the sugar it sold to the United States in 1962 and 1963 was sold at U.S. preferential prices, in 1963 sales were effected when the world price for sugar was substantially higher than the U.S. preferential prices. Mauritius has not benefited from any world or discount prices in its purchases from the United States. Here it should be noted that although Mauritius must import a substantial part of its food requirements, its food procurements in the United States are relatively insignificant. It is in this area that most countries trading with the United States have been able to obtain an advantageous price for commodities purchased from the United States.

Though unusually dependent on one single crop to sustain its economy, Mauritius has always managed to pay its own way, even though it has from time to time been compelled to seek financial assistance from Great Britain and the International Bank for Reconstruction and Development. It, therefore, has not in the past sought any preferential treatment in its trade relation with the United States.

Mauritius and the 1962 Sugar Act

Public Law 87-535, now known as the Sugar Act Amendments of 1962, became effective July 13, 1962. This act made no provision for the allocation of any quota for Mauritius. Nevertheless the House Agriculture Committee had recommended, and the House of Representatives had approved, an allocation of 10,000 tons basic quota and 100,000 tons reallocation from the Cuban reserves. After extensive hearings in the Senate Finance Committee on H.R. 12154, the recommendations of the House were modified with the result that the quotas proposed to be adopted under H.R. 12154 were reduced for all foreign suppliers, and in addition no quota allocation was made for Mauritius and Argentina.

Subsequently, provision was made to accommodate Argentina by means of an amendment to the Sugar Act which was made in the course of a debate on the "honey bee" bill (7 USCA 281) which gave the President authority to allocate up to 150,000 tons from the former Cuban reserves to any country within the Western Hemisphere (7 USCA 1112(c)(4)(B)). The result of this legislation left Mauritius as the only significant foreign supplier excluded from the provisions of the Sugar Act Amendments of 1962.

Notwithstanding that Mauritius was not allotted a quota under the revision of the Sugar Act, in an endeavor to demonstrate its good will and its ability to meet the requirements of the U.S. sugar market, Mauritius availed itself of a provision for a global quota to be allocated to foreign suppliers on a first come, first served basis (7 USCA 1114(a)). In the second half of 1962 pursuant to the provisions of the aforesaid section (Mauritius shipped 13,474 tons of global quota sugar to the United States and in the second half of 1963, 66,617 tons. At this time the world market price was considerably higher than the price then obtainable on the U.S. market.

Later in 1963 the Secretary of Agriculture invited applications for global quota sugar for 1964 in the amount of 1 million tons to meet an estimated requirement of $1\frac{1}{2}$ million tons. In announcing this allocation the Secretary indicated that priority would be given to suppliers able to ship sugar to the United States during the first 7 months of the year. By reason of its shipment in the latter part of 1963, Mauritius at this time had no uncommitted sugar left over from its 1963 crop, and was unable to export any sugar to the United States for the first 7 months of 1964.

Under these circumstances in the latter part of 1963 Mauritius was unable to apply for a sugar quota set-aside. Nevertheless, by letter dated January 14, 1964, the Mauritius Chamber of Agriculture apprised the Department of Agriculture of the fact that Mauritius would be able to supply about 60,000 short tons of sugar in the second half of 1964 and was willing to enter into a commitment to do so subject only to the condition that the 1964 crops were not damaged by a cyclone. The application was not entertained, and by January 27, 1964, the extra requirement was fully subscribed. Mauritius had no further opportunity to make a substantial shipment to the United States in that year.

Mauritius and 1965 sugar legislation

Congress once again has under consideration renewal and revision of the U.S. sugar program. This system, which is so vital to the stability and protection of domestic sugar prices, also operates to stabilize the sugar trade of a large portion of the free world. The effect of the quota allocations on the economies of the applicant countries is beyond any question a salutary one.

That the benefits conferred through the quota system are appreciated by them is readily apparent from the representations which are being made before this distinguished committee. There is no question that the distinguished gentlemen appearing before this committee are seeking economic aid for the countries which they represent. I do no less than they.

The relief most of us seek is an outlet for an exportable surplus of sugar which, if not sold to the United States at the prices established under the quota system, would either be left unsold or dumped on the so-called world market.

The world market is a deceptive term. In 1962 it was estimated that world sugar consumption amounted to about 57.5 million tons per year. Of this amount, about 40 million tons were said to be consumed in the areas where it is produced. And in most producing areas, because of the essentiality of the product, it is produced under some form of national control, bounty, or subsidy system as in the United States.

About 17.5 million tons of sugar were said to be consumed outside the areas where it is produced. Although sugar trade statistics reflect exports in excess of this amount, the trade statistics include substantial reexports from European refineries.

Of the 17.5 million tons which moved from the areas where it was produced to areas where it was consumed, about 8 million tons moved from French and Portuguese overseas areas to the mother countries, or were traded under the preferential terms of the Commonwealth Sugar Agreement and the U.S. sugar program. This left not quite 10 million tons for trading in the so-called world market. About half of that total, in 1962, was Cuban sugar exported to Communist bloc countries for barter at a negotiated nominal price.

The world free market, exclusive of Cuban sugar, was estimated in 1962 to be a 5-million-ton residual, representing chiefly sugar uncommitted to any program. In 1965, it is estimated that the Cuban sugar available for trade with bloc countries will be nearly 6 million tons, or 2 million tons more than was produced in the 1964 crop year. The residual, world free market will undoubtedly likewise be somewhat greater than it was in 1962, but its composition will be roughly the raw sugar produced in excess of the requirements of the major sugar programs.

The world free market is not a stable market. During the Suez and Hungarian crises of 1956 and 1957, the world market price nearly doubled in 60 days time, and over the whole period rose from a differential of \$2.07 per 100 pounds below the U.S. price to a differential of \$1.34 above the U.S. price. Similar fluctuations were noted in 1950 and 1951, and more recently, in 1963 and 1964, when it became apparent that world stocks were diminishing to an alarming degree. World buyers became excited; the world market began to advance spectacularly and because of the global features of the U.S. Sugar Act, the impact of the great advance in world market prices was felt in the U.S. market where prices also skyrocketed. In 1963 the U.S. average price for raw sugar was 8.19 cents per pound compared with an average price of 6.293 cents in 1961 and an average price of 6.452 cents per pound in 1962. In 1963, the world price of sugar advanced to nearly 3.5 cents per pound over U.S. prices, and for the year, averaged nearly 1.2 cents per pound in excess of U.S. prices. In the third quarter of that year both world and U.S. prices plunged precipitately, only to be followed by a resumption of the advance, and for the first half of 1964, world market prices again exceeded U.S. prices by more than 1 cent per pound. In the latter half of the year, world market prices again plunged

downward, and by the first part of 1965, were over 3½ cents per pound below U.S. prices.

If the U.S. foreign procurement, as determined and announced by the Secretary of Agriculture on February 15 last were added to the world free market, an additional 2.3 million tons would be subject to the fluctuations of this market. Currently, world market prices are substantially below the cost of producing and warehousing a pound of sugar in the areas of production. This is true because the world market represents the excess of production over programed requirements. Some people call it homeless sugar.

Without any significant realignment of markets, U.S. procurements in the world market would initially be at substantially lower levels than present U.S. prices. Realistically, however, economic experts would predict that there would be a realignment of markets with the result that the combination of the nonbloc world market with the U.S. import market might result in price levels higher than the present world market price, yet still be subject to the fluctuations above noted.

The basic purposes of the U.S. sugar programs are said to be: (1) Make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States without the consumer penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring an adequate and stable supply of sugar.

The application of Mauritius for a statutory sugar quota fits in with these basic objectives of the U.S. sugar program. Mauritius has been producing sugar for three centuries, has developed a highly efficient sugar-producing industry and today is one of the 10 largest world exporters of sugar. It is endowed with a friendly and stable government and has developed a supply of sugar which can reasonably be expected to be stable.

No country in the world depends upon sugar for its livelihood to the same degree as Mauritius. Sugar represents 98 percent of the total value of its export trade. With an ever-increasing population, in order to maintain its standard of living, Mauritius must find outlets for increasing quantities of its principal crop.

But in Mauritius, as in most countries, the cost of producing and warehousing a pound of sugar is currently far in excess of the so-called world market price for sugar. To suggest that this outlet could be had by dumping its excess sugar on the world market, is no solution for the problems of Mauritius.

The mere fact that Mauritius has a demographic problem which can be solved only by increasing its outlets for sugar, does not, of course, justify the allocation of a quota. But Mauritius is one of the developing territories of the world which occupies a strategic position of some importance in the Indian Ocean. Some of its island dependencies will undoubtedly be joint United States-United Kingdom military bases. It is already one of the more important satellite tracking stations. It is one of the territories which, therefore, particularly deserves the assistance which the United States has pledged itself to give to developing territories. Taking the form of a sugar quota allotment, the assistance which the United States can render to Mauritius will not only benefit Mauritius, but being consistent with the basic objectives of the U.S. sugar program will be of assistance to the United States in stabilizing its sugar supplies and domestic sugar industry.

In further justification of an allotment to Mauritius, it should be pointed out that Mauritius has demonstrated its ability to ship sugar to the United States; that notwithstanding the fact that Mauritius was denied a quota in the 1962 sugar legislation (although it was at first proposed to make a quota available to Mauritius) Mauritius shipped considerable quantities of sugar to the United States in 1962 and 1963 at a time when world prices exceeded those it could and did obtain in the U.S. market. The single selling agency, the Mauritius Sugar Syndicate coordinates the sugar policy of the entire country so that sugar can be shipped as and when required. From the foregoing it is evident that Mauritius has the capacity to provide a continuing and stable supply of sugar for the United States.

The next question we get to is how much sugar should Mauritius be called upon to supply. When the Secretary of Agriculture made his administrative determination of the 1965 quota, he adopted a formula which gave single weight

to imports in 1963 and double weight to exports in 1964. Although Mauritius had shipped comparatively large quantities of sugar to the United States in 1963, as I have explained before, Mauritius was unable to make a commitment for the first 7 months of 1964. Since the Secretary of Agriculture could not accept a conditional commitment, Mauritius had no opportunity to ship sugar to the United States in 1964. Had Mauritius withheld its shipment of nearly 67,000 tons in the last half of 1963 until early in 1964, obviously it would have been accorded a larger quota for 1965. While I do not expect that this fact, in and of itself, will serve as a justification for allocating a larger quota to Mauritius, I do think it demonstrates that, in the case of Mauritius, predicating a quota exclusively on the basis of prior shipments would operate unfairly. If the quota allocation for Mauritius proposed in the original version of H.R. 12154 in 1962 had been sustained, the shipments which Mauritius would have been able to make in 1964 would clearly have resulted in the determination of a considerably more substantial quota allocation to Mauritius in 1965.

Although Mauritius shipped sugar to the United States for the first time only in 1962 it has nevertheless traded with the United States over a considerable period of time, procuring from the United States chemicals, tobacco, and machinery, and has a long history of friendly trade relations, notwithstanding that trade between the two countries has generally tended to favor the United States.

I submit that a quota allocation to Mauritius ought to be predicated upon the factors of the country's political stability, the stability of its supply and the capacity of Mauritius to produce. Mauritius is not a country about to be overrun by Communists and its political traditions are not of the same degree of volatility as are those of the countries of the Western Hemisphere. While Mauritius experiences a need to earn dollars to sustain and increase if possible its standard of living, the staid and orderly development of its political democracy augurs well for its long-term ability to satisfy in part U.S. requirements.

How much quota? It is estimated that Mauritius will have over and above sugar to be sold under its preferential arrangements, including its allocation under the Secretary of Agriculture's determination, and domestic consumption, an exportable surplus of approximately 164,000 short tons, raw value, this year. For the period 1966 to 1969 it is estimated that Mauritius production of raw sugar will increase to 850,000 tons and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum which will give Mauritius an annual exportable surplus of some 280,000 short tons. There is virtually no likelihood that Mauritius' quota under the Commonwealth sugar agreement will be increased, as the United Kingdom market is already fully committed. Mauritius will therefore have in addition to Commonwealth sugar commitments and in addition to its domestic consumption requirements an annual exportable surplus ranging from approximately 164,000 short tons in 1965 to approximately 280,000 short tons by 1969. Some of this, of course, will be diverted to the so-called world market, where it is expected that between 5 and 8 million tons of "homeless sugar" will be found.

An annual U.S. quota of approximately 120,000 tons would be fair and reasonable. While there is no trade precedent for a quota of this magnitude, I think it fair to point out that in the proposed legislation for 1962 Mauritius was accorded a basic quota of 10,000 tons and a reallocation from the Cuban quota of 100,000 tons, or all together a quota of 110,000 tons. Since that time both production and consumption of sugar have been expanded and the suggested quota of 120,000 tons annually is commensurate both with Mauritius' status as a world sugar exporter and a proposed allocation made by the House of Representatives in 1962. Such an allocation would result in an annual income to Mauritius at present prices of approximately \$12,800,000 per year, which would be a tremendous boost for the economy of Mauritius. It would enable Mauritius to maintain and develop its trade relations with the United States and would facilitate the purchase of substantial quantities of wheat from the United States. One of the reasons Mauritius has not purchased significant quantities of U.S. wheat is the high freight cost. But if Mauritius exports sugar to the United States in the quantities proposed, it will be able to obtain substantial economies in the shipping rates for wheat on the return voyages. The allocation of a sugar quota of this size to Mauritius would not only further the basic objectives of the U.S. sugar program but would also offer the United States an additional outlet for its wheat production.

MAURITIUS CHAMBER OF AGRICULTURE,
OFFICE OF THE LONDON REPRESENTATIVE,
London, January 14, 1964.

TOM O. MURPHY, Esq.,
Director, Sugar Policy Staff, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. MURPHY: It may have come to your attention that Mauritius has not yet applied for a set-aside of global quota sugar for 1964 although we have already declared our intention so to do. As you no doubt remember, we supplied about 60,000 tons of global quota sugar to the United States in 1963, although we were about the only sugar-producing country in the world, save Cuba, not to have been granted any share of the basic quota. It is still our intention to supply about the same quantity of sugar to the United States in 1964, and I thought I would drop you a line to let you know why we have so far made no move about it.

As you know, our next sugar crop starts in July, and we are hoping to produce another big crop; we are, unfortunately, still not through what is known in Mauritius as the cyclone season, which extends up to about April, and during which we can be visited by hurricanes, with the possibility that our crop estimate might be reduced—which God forbid. We felt it safer, therefore, not to commit ourselves for sugar which we might not be absolutely sure to supply, as we are left with virtually no uncommitted carryover from last year.

We would, of course, be prepared to apply now for a set-aside for up to about 60,000 tons for delivery from mid-September onward, conditional only upon no visitations by major hurricanes or other calamities. This condition would be waived immediately the cyclone season is over, at latest by the 1st of May next. I do not know whether the USDA regulations would allow such a condition to be included in the set-aside application; if they did, we would be happy to go forward now with our applications.

I thought I would explain these circumstances to you, and reiterate our desire to supply sugar to your market this year, either against global quota or, even better, against an allocation of basic quota which, as you know, we are still very anxious to obtain: this would remove an anomaly which hurts us and which, I know, was not deliberately engineered by the U.S. authorities.

With kind regards,

Yours sincerely,

A. GUY SAUZIER.

JANUARY 17, 1964.

A. GUY SAUZIER, Esq.,
Mauritius Chamber of Agriculture,
London, England.

DEAR MR. SAUZIER: It was very pleasant to hear from you again. I also appreciate the information in your letter of January 14.

I wish I had a worthwhile suggestion to offer to you for coping with your dilemma. I recognize, however, that Mauritius is a small island and it either is not in the path of a cyclone or if in the path the sugarcane crop suffers substantial damage. This is the one most difficult situation facing an area or rather those people in an area such as yours who must estimate production and arrange for marketings. The only thought that does cross my mind, for what it may be worth, is the possibility that you might offer a smaller quantity—say half of the 60,000 tons—if you are sure of some export availability from the late crop and are not committed for other marketings.

In any event, I thank you for your courtesy in keeping me informed as to your situation.

With kind regards,
Sincerely yours,

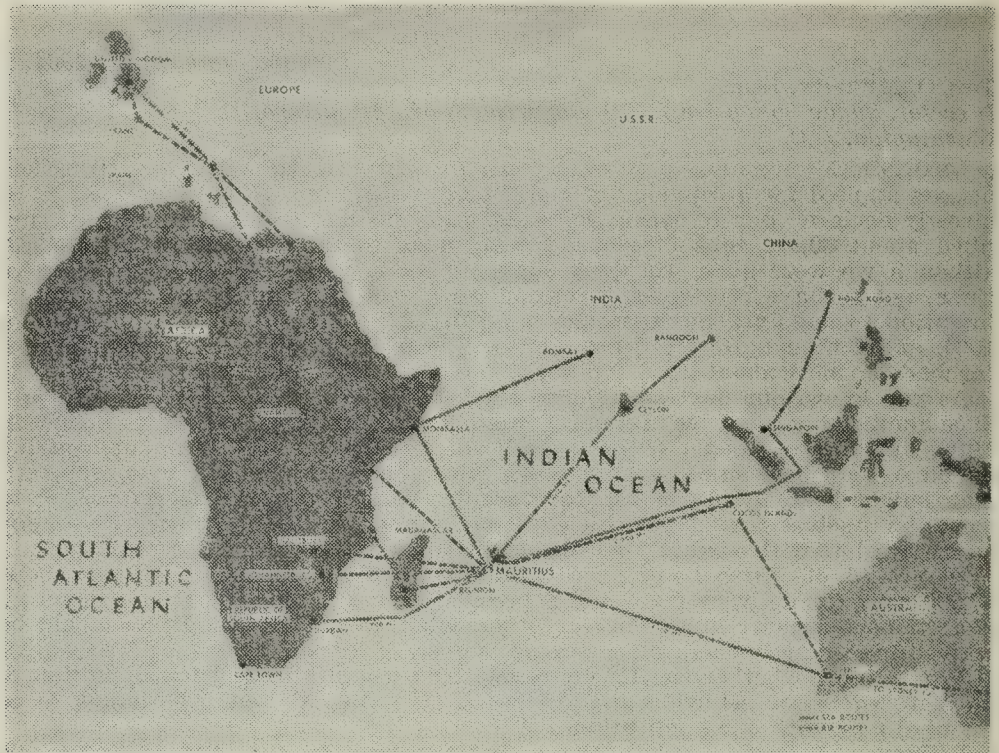
Director, Sugar Policy Staff.

The CHAIRMAN. I have just one question. What would that 1.5 amount to in tonnage?

Mr. EARNEST. About 80,000 tons, sir.

The CHAIRMAN. Thank you very much.

Mr. EARNEST. I am very liberal. I am willing to give up part for the accommodation of others.



Mr. HAGEN of California. As I gather from your statement you have about 23 estates owning a high percentage of the sugar-producing acres.

Mr. EARNEST. We have 23 estates. And in addition to that large acreage, about 50 percent of the acreage is owned by individuals, ranging in size from a quarter of an acre on up to rather substantial acreage.

Mr. HAGEN of California. Fifty percent is owned by 23 large estates?

Mr. EARNEST. That is correct, sir.

Mr. HAGEN of California. Where is the ownership of the estates, where does it lie, in Great Britain or where?

Mr. EARNEST. It is 100 percent in Mauritius—no outside interests at all, sir.

Mr. HAGEN of California. Of what national origin is the management? Are they natives or what?

Mr. EARNEST. They are all Mauritians.

Mr. HAGEN of California. Are they British or French, or something like that?

Mr. EARNEST. The island itself was discovered and was held and occupied by the French. Around in the 1600's they introduced sugar into the island, but it has been a British colony since the Treaty of Paris of 1814. Basically, the inhabitants are extractions of Indians, some Europeans, and a few small segments of Chinese.

Mr. HAGEN of California. You have a rather large guaranteed market in the Commonwealth at a price that you say is better than what you get—almost as good as you get in the United States?

Mr. EARNEST. It takes care, sir, of about 60 percent of our total exports, leaving 40 percent which must be disposed of elsewhere. In other words, roughly 380,000 tons under this agreement out of the total production, leaving about 300,000 tons that have to be disposed of elsewhere. This year, after making provisions for sales to some countries and some on the world market, we have 164,000 tons which we can sell to the United States of America. And this during the life of this bill it is estimated by the Chamber of Agriculture could go up to 280,000 tons.

Mr. HAGEN of California.. I would like to ask you this question, then: What limitations are there on your disposing of this elsewhere? Someone made the statement that 90 or 95 percent of sugar around the world was disposed of to various agreements. I do not know who the author of that statement was, but it was in the record here that 90 or 95 percent of the sugar was disposed of around the world by virtue of arrangements or agreements. That is the reason I ask that question.

Mr. EARNEST. The only agreement we have at all, sir, is the agreement with the Commonwealth which I have indicated gives us an outlet of approximately 60 percent of our production. All sales of sugar is handled solely—the marketing of the sugar is handled from one agency, the Mauritius Sugar Exchange, with no restraints other than the agreements that I speak of.

Mr. HAGEN of California. In other words, if you had a surplus you could sell it somewhere in the world provided you could meet the competitive price?

Mr. EARNEST. Precisely.

Mr. HAGEN of California. Why do you keep increasing your production in the face of this uncertainty in the surplus? Apparently all of these countries are doing that; increasing their production.

Mr. EARNEST. We have, as I indicated here, produced sugar. It is the only stable product which we are able to successfully produce, although some attention has been made to diversify the agricultural production, but the short answer to your question is that, unfortunately, the population increase means that unless we increase production the people cannot live. This is the short answer to your question. We have to increase production in order to cope with our ever-increasing increase in population. I suppose that is a furry statement to make, that with a density of 1,000 people per square mile, the highest density in the world with the exception perhaps of Communist China.

Mr. HAGEN of California. Apparently, all you are succeeding in doing is driving down the world price of sugar, along with other countries. And to rationalize the production in terms of the specific demand might be in order.

Mr. EARNEST. I missed the latter part of your statement.

Mr. HAGEN of California. Generally, all of these countries are doing about that. And they all have similar problems. They are all increasing their production, an increase which will cause a continuing low price.

Mr. EARNEST. To some extent this is probably true, but it constitutes 98 percent of our exports. We are a little different than many of the spokesmen who have appeared before you, in that we have been producing sugar for 300 years. Our whole economy is geared to it.

You have a lot of newcomers into this field, and a lot of people that seek to come into this market, but this has been our main source of livelihood and exports for over 300 years.

Mr. HAGEN of California. Thank you.

The CHAIRMAN. Thank you very much.

Mr. EARNEST. Thank you, Mr. Chairman.

The CHAIRMAN. We will now call on Mr. John G. Laylin, representing the Associated Sugar Producers of Colombia.

Will you introduce your associates?

STATEMENT OF JOHN G. LAYLIN, COVINGTON & BURLING, WASHINGTON, D.C.; ACCOMPANIED BY ERNEST SCHEIN, CHICAGO; AND DR. RAFAEL DELGADO BERRENECHE, ON BEHALF OF THE ASSOCIATION OF SUGAR PRODUCERS & DISTRIBUTORS, REPUBLIC OF COLOMBIA

Mr. SCHEIN. I will introduce both Mr. Laylin and Dr. Berreneche. For the record, I am Ernest Schein, of Washington and the bar of Illinois. For a long time I have represented the private Association of Sugar Producers of Colombia as a lawyer and in that behalf I made a statement at the last sugar hearings in 1962. At this time, however, my statement in behalf of the sugar producers will be made by my colleague, Mr. John G. Laylin, of the law firm of Covington & Burling, who for many years have been local counsel for the Colombia Government. He is well versed, thoroughly familiar with Colombian affairs, not only economic but social and political, and speaks with great authority.

We also have here a distinguished Colombian citizen who at this time is the executive of the Associated Producers, Dr. Rafael Delgado Berreneche. I would like to present Dr. Rafael Berreneche and Mr. John Laylin.

The CHAIRMAN. I thank you very much. We are glad to have you here. You may proceed.

Mr. LAYLIN. Mr. Chairman and members of the committee, I am speaking a little out of turn, because I should have been up with the group that is only preference, markets. We as Colombia are a member of the Association of American States, and it has no other market that it can turn to where there is a preference, so that I would like to associate myself with the remarks of Mr. Chapman and the others who spoke to this point.

The formula of the U.S. Department of Agriculture fits Colombia with particular severity. Our production has doubled since 1962, and yet the quota is cut in half. I can assure you that it was a great measure of relief when my Colombia friends heard that this committee intended to write its own criteria and that it is going to take into account every consideration that is pertinent.

Now Colombia, besides being a member of the Organization of American States, has, beginning with an unfortunate experience at the turn of the century, turned into one of the best friends that the United States has in this hemisphere. I have only worked for 30 years, but in those 30 years they have resumed the payment of their public debt that was defaulted during the depression. They have fought hard to

establish and maintain a high credit and with the great success. They have welcomed foreign capital into Colombia and have treated it fairly. Colombia is not in the list of nations that have appropriated any American property or even threatened to appropriate it.

It is well known to you gentlemen that Colombia is before most to work out a long development program that was approved by the Committee of Nine of the Organization of American States, as it is by the World Bank.

So forward looking has been their development that there is a group of nations calling themselves "The Colombia Club," that is helping them in this endeavor.

Colombia has been the recipient of very generous foreign aid both in money and in other ways.

One of the words of advice that comes from my American friends is to diversify our economy. As you know, the Colombian economy leans almost exclusively on coffee. This is bad enough in any case, but when the price of coffee fell it was disastrous.

Now they most naturally turned to the production of sugar. It can be harvested 12 months of the year in Colombia.

Coffee is grown on the hill slopes and in the floor of the valleys the sugar is grown.

Now Colombia has taken great steps to do what it calls the "democratization" of its coffee industry. It has had great success in that—such success that it has attracted the attention of the Communists, and the sugar industry is the target of the Communists in trying to disrupt the Colombian economy. It was because of this that in 1964 the Government reserved 30,000 tons of sugar against a threatened strike rather than export it to the United States, and that it was the agricultural formula hits us so badly. I can tell you that not 1 pound of sugar was shipped to any other country.

I will read the rest of my submission, because it has figures and also it will be faster. I shall begin at page 5.

The Department of Agriculture has been kind enough to give me the figures of the quotas for five countries which appear to be most comparable to Colombia. They are Brazil, the Dominican Republic, Ecuador, Mexico, and Peru. These are all fine countries and I would not wish to be understood to wish that the quota of any of them be reduced. I ask only that Colombia be treated in a manner comparable to the treatment proposed for them. The combined quota for these five countries is 1,168,593 metric tons. Their total exports in 1964 were 1,895,954 metric tons. Under the formula proposed by the Department of Agriculture their combined quotas would represent about 62 percent of their total 1964 exports. The percentage of the most favored would be over 87 percent and of the least favored 51 percent.

The year 1964, it will be recalled, was a year when there were strong temptations on the part of some producers to sell their export sugar outside of the United States. The Department of Agriculture has, in working out this formula, taken into account the sense of responsibility shown by many suppliers in continuing to supply with their available exports the U.S. market. I do not criticize this. Such a show of responsibility should, I think, be recognized. I am happy to say that in this period Colombia did not export 1 pound of sugar to any country except the United States.

Colombia's exports in 1964, however, fell well below the 45,000 tons average exported to the United States over the period 1961-62. The reason for this, as recognized by the Secretary of Agriculture, was the disturbances in Colombia which were, as you gentlemen will recall, in no small part stimulated by infiltrators from Mr. Castro's Cuba. I have already mentioned that the sugar industry has been their prime target. The Government took 35,000 tons off the market. But for that Colombia would have shipped 60,000 tons to the United States. The Secretary of Agriculture recognized that Colombia's failure to send us more was not owing to exports to the more lucrative European markets. Yet when it came to applying the formula for the act now under consideration, these considerations, perhaps unintentionally, were overlooked.

It is my thesis that it is not enough to make this correction—as indicated as it is. We are talking about quotas for the next 5 years. We are talking about the American legislation to fit into the Alliance for Progress. The emphasis is on progress, and not on looking backward.

I have mentioned that in carrying out the diversification advised by all sides, Colombia has grown sugarcane such that its exportable surplus will be 108,000 metric tons this year and 150,000 metric tons next year. Let's take an average over the next 5 years of 150,000 exportable tons and let us compare this with the countries most comparable to Colombia, and see how Colombia comes out. I do not have their 1965 figures, but the 1964 ones have been published.

It will be remembered that their combined quotas represent roughly 62 percent of their total 1964 exports, and the quota of one is over 87 percent of that, and the lowest is 51 percent. Under the formula the Colombian quota is less than 24 percent of this year's exportable production. Twenty-four percent for Colombia as against 87 percent for a neighboring country and an average of 62 percent for the five most comparable countries. This is less than one-half of the average. Surely this would not have been intended. Looking forward to the next 5 years, the quota would be less than 17 percent of the exportable tonnage.

Let me tell you what would happen to Colombia if it were limited to such a quota. It would mean bankruptcy for the sugargrowers. Their return from sales in the world market cannot even cover the costs of production. Many of the growers are small farmers. The attempts to democratize the sugar industry by allowing its farmers to have sugar marketed for them individually would be paralyzed. There would be unemployment in the mills and in the fields. The political and social unrest in the sugargrowing areas largely dissolved by the growing of the sugar industry, would revive. Inevitably Castro and the Communists would follow. It would mean, then, the destruction of everything that the Alliance for Progress has wrought in Colombia. It would mean the fall of the country which is the acknowledged leader in fulfilling the objectives of the Alliance.

I am not a pessimist and I cannot believe that this committee will approve quotas that will give 87 percent to one country and only 17 percent to its neighbor. Colombians did not fight in Korea in order to have a high sugar quota, but this committee is not going to do this to a country whose soldiers fought side by side with ours.

By the way, it was the only Latin American country whose soldiers did fight with us in Korea.

For the reasons I have mentioned I am sure that the committee will wish to treat Colombia as well as its neighbors. Colombia's quota certainly should not be less than the average of those countries; that is, 60 percent of its exportable production. On this basis, the quota for the next 5 years should average 90,000 metric tons.

At the very least, however, Colombia's percentage of the total foreign non-Philippine supply of sugar to the United States should not be reduced below that in the 1962 act. It was, in 1962, 1.06 percent; it has been cut in the administration bill to 0.52 percent. We do not want more than anyone else but we want as much.

Thank you.

The CHAIRMAN. I think that is a very fine statement. I assure you that the committee will give careful consideration to your suggestions. I think that, as I said in the beginning, this formula which was arbitrarily picked by the Department, certainly will result in some people being punished and others being rewarded. I am sure that the committee will have to make some adjustments in the suggested formula.

Thank you again very much.

Mr. LAYLIN. Thank you.

The CHAIRMAN. We have one more witness. But before calling that witness I want to ask unanimous consent to put into the record at this point a breakdown of the recommendation of the Department of Agriculture. We now have this in tons. If any member wants a copy, Mrs. Gallagher will make it available.

(The document referred to follows:)

Sugar quotas ¹ of foreign countries under H.R. 10496 at sugar requirements from 9,700,000 to 10,400,000 tons

[Short tons, raw value]

Country	9,700,000	9,800,000	9,900,000	10,000,000	10,100,000	10,200,000	10,300,000	10,400,000
Mexico.....	390,135	405,580	422,756	440,203	457,632	475,115	492,576	510,038
Dominican Republic.....	385,854	401,130	418,117	435,372	452,631	469,901	487,171	504,440
Peru.....	240,824	250,359	260,960	271,730	282,502	293,281	304,059	314,838
Brazil.....	221,558	230,329	240,084	249,991	259,901	269,818	279,734	289,651
British West Indies.....	122,017	126,849	132,220	137,676	143,135	148,595	154,057	159,518
Argentina.....	63,685	66,205	69,009	71,858	74,706	77,556	80,407	83,258
Ecuador.....	49,770	51,740	53,932	56,158	58,383	60,611	62,839	65,067
Nicaragua.....	40,672	42,282	44,073	45,892	47,712	49,532	51,352	53,173
Guatemala.....	35,321	36,719	38,275	39,853	41,434	43,014	44,595	46,176
Costa Rica.....	34,786	36,163	37,695	39,250	40,806	42,363	43,920	45,477
Colombia.....	27,829	28,930	30,155	31,400	32,645	33,891	35,136	36,381
Haiti.....	18,731	19,472	20,297	21,134	21,972	22,811	23,649	24,488
El Salvador.....	17,125	17,804	18,558	19,324	20,089	20,856	21,622	22,388
Panama.....	14,449	15,021	15,658	16,303	16,950	17,597	18,244	18,890
British Honduras.....	4,281	4,450	4,639	4,831	5,022	5,214	5,405	5,597
Venezuela.....	2,676	2,782	2,899	3,019	3,139	3,259	3,378	3,499
Australia.....	186,772	194,167	197,049	199,039	201,029	203,019	205,009	206,999
India.....	96,865	100,700	104,964	109,295	113,629	117,964	122,299	126,635
South Africa.....	96,865	100,700	102,188	103,228	104,268	105,308	106,348	107,388
China, Republic of.....	67,431	70,100	73,069	76,085	79,101	82,119	85,137	88,154
France, French West Indies, Reunion.....	50,841	52,521	54,201	55,881	57,561	59,241	60,921	62,601
Fiji Islands.....	45,489	47,290	49,092	50,893	52,694	54,495	56,296	58,097
Mauritius.....	14,985	15,578	16,238	16,908	17,577	18,249	18,919	19,590
Southern Rhodesia.....	9,098	9,458	9,858	10,265	10,673	11,079	11,487	11,894
Swaziland.....	9,098	9,458	9,858	10,265	10,673	11,079	11,487	11,894
Malagasy Republic.....	7,492	7,789	8,118	8,454	8,789	9,124	9,460	9,794
Ireland.....	2,141	2,226	2,320	2,415	2,511	2,607	2,703	2,798
Belgium.....	1,605	1,669	1,739	1,812	1,886	1,960	2,034	2,108
Turkey.....	1,605	1,669	1,739	1,812	1,886	1,960	2,034	2,108
Total foreign, except the Philippines.....	2,260,000	2,349,140	2,438,280	2,527,420	2,616,560	2,705,700	2,794,840	2,883,980
Republic of the Philippines.....	1,050,000	1,060,860	1,071,720	1,082,580	1,093,440	1,104,300	1,115,160	1,126,020
Total.....	3,310,000	3,410,000	3,510,000	3,610,000	3,710,000	3,810,000	3,910,000	4,010,000

¹ The quota shown for the Republic of the Philippines is its own. For other countries, 42.23 percent of the amount shown represents its own quota and 57.77 percent represents its participation in the Cuban reserve.

NOTE.—Subject to (1) reduction for any increases in offshore domestic area quotas pursuant to sec. 202(a)(2)(B) of the act, and (2) increases (in the form of quota revision or allocations) resulting from the reallocation of deficits.

The CHAIRMAN. Now I will call Mr. Seymour S. Guthman, representing the Sugar Producers of the Malagasy Republic.

We will be glad to hear from you now.

STATEMENT OF SEYMOUR S. GUTHMAN, ON BEHALF OF THE SUGAR PRODUCERS OF THE MALAGASY REPUBLIC; ACCOMPANIED BY A. M. PROSTERMAN

Mr. GUTHMAN. Mr. Chairman and members of the committee, my name is Seymour S. Guthman. I am a lawyer with offices here in Washington. At my right is Mr. Albert M. Prosterman. I have requested the privilege of appearing at this hearing on behalf of my client, the Sugar Producers of the Malagasy Republic, often called Madagascar, with a request that the Congress of the United States consider granting a substantially higher quota to the Republic of Malagasy than was recommended by the U.S. Department of Agriculture. My client believes that the actual record justifies a higher figure. In support of this request a detailed statement has been prepared and submitted to the committee and it will be appreciated if the same could be included in the record as part of our presentation.

The CHAIRMAN. Yes, sir; without objection, that will be included in the record at the conclusion of your statement.

Mr. GUTHMAN. With your approval, I should like to take a few minutes of your time this afternoon to emphasize the highlights of this presentation.

On November 5, 1963, when there was a world shortage of sugar and U.S. sugar supply from foreign sources was in doubt, the U.S. Department of State sent a letter to the Foreign Minister of the Malagasy Republic asking the Malagasy Republic to ship sugar to the United States during 1964. The letter stated that the response would be given consideration in recommending new quotas under future sugar legislation.

Without hesitation, 11,500 tons of sugar was offered to the U.S. market in November of 1963 and shipped in 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of this country's export supply.

This was done—I wish to emphasize this point—even though world sugar prices were higher than U.S. prices. Thus, this action meant a potentially serious financial loss to the Malagasy Republic.

In the sugar field, the Malagasy Republic, unlike many other countries, did not have a "historic obligation" to the United States, yet out of friendship it chose to help the United States to the maximum of its ability at a time of our Government's need.

In 1955, when the situation had changed, making it advantageous to ship sugar to the United States, the U.S. administration assigned the Malagasy Republic an entitlement to export 7,586 tons of sugar to the United States. A similar quantity was recommended by the administration on August 15, 1965, for the following year. This figure was based on the 11,550 tons actually accepted and shipped in 1964.

It was far less than the quantities the Malagasy Republic held for the United States in 1964. If the U.S. administration had based its quota computations on the 17,000 tons held for the United States in

1964, the quota would have come to 11,500 tons, or a full cargo, which represents important savings in shipping.

I would now at this point like to say just a few words about this country. The Malagasy Republic achieved independence in 1960. It has a stable, democratic government with universal direct suffrage. In international affairs it has identified and aligned itself with the principles and goals of the free, democratic world. Its 6 million people occupy the world's fourth largest island comprising 228,000 square miles. It is off the east coast of Africa and is considered to be a part of Africa.

Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar.

The Malagasy Republic is the only newly independent country of Africa that is now participating in the sugar trade of the United States. It is our understanding that many observers believe that our Government's response to this modest request for a sugar quota for the Malagasy Republic will be considered as an indication of the way in which the United States intends to deal with the serious economic problems of Africa.

For the reasons stated in this brief presentation and more elaborately set forth in our detailed statement, it is respectfully urged that consideration be given to granting quotas in accordance with the sacrifice and goodwill evidenced in 1963 and 1964, rather than by use of a mathematical system alone which, no matter how carefully considered, cannot reflect the true state of affairs.

We respectfully submit that a quota of 11,500 tons based on the actual offering of 17,000 tons in response to the United States request in 1963 would be the minimum based on the actual mathematical formula used by the administration. In fact, the extent and relative magnitude of the Malagasy Republic's sacrifice in this regard would justify a much higher quota.

I greatly appreciate and thank the committee for granting me the time to make this presentation.

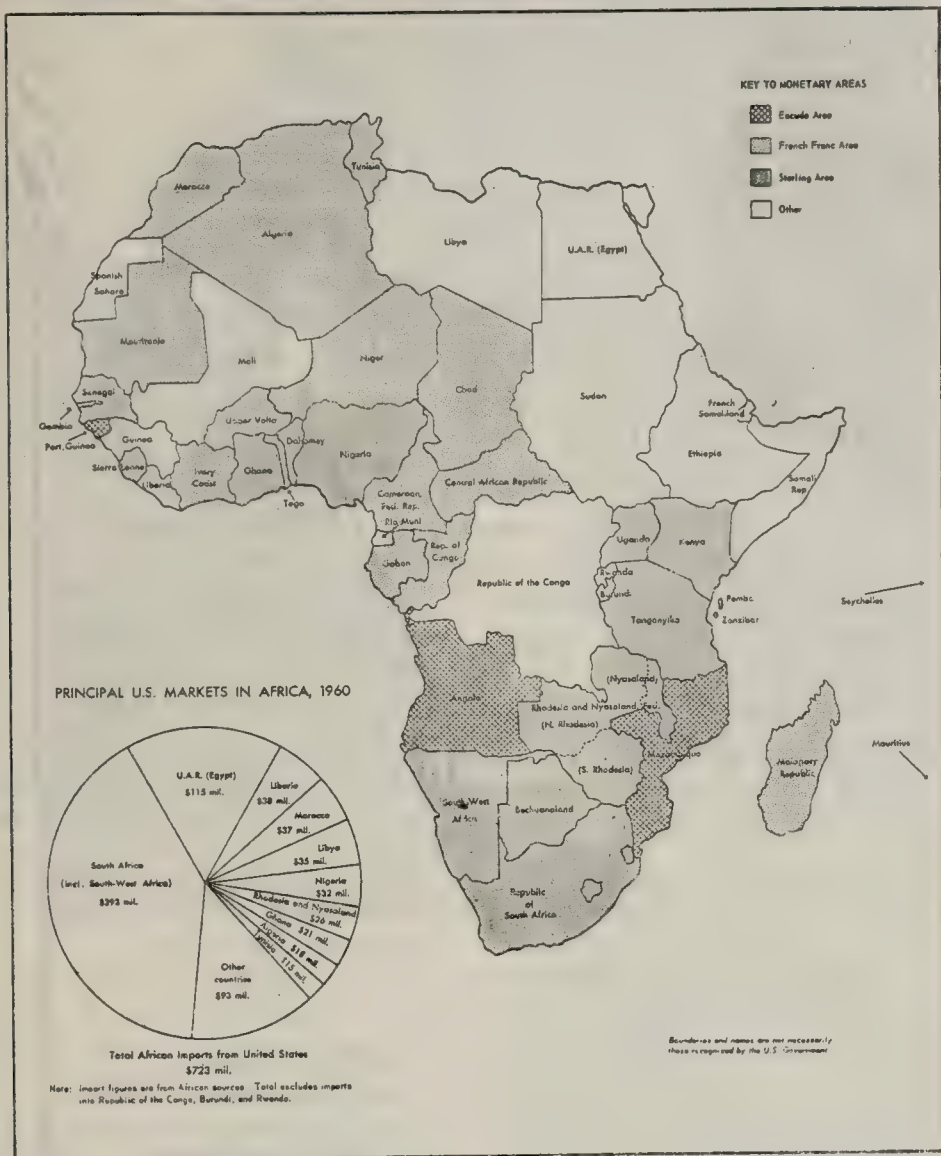
Thank you.

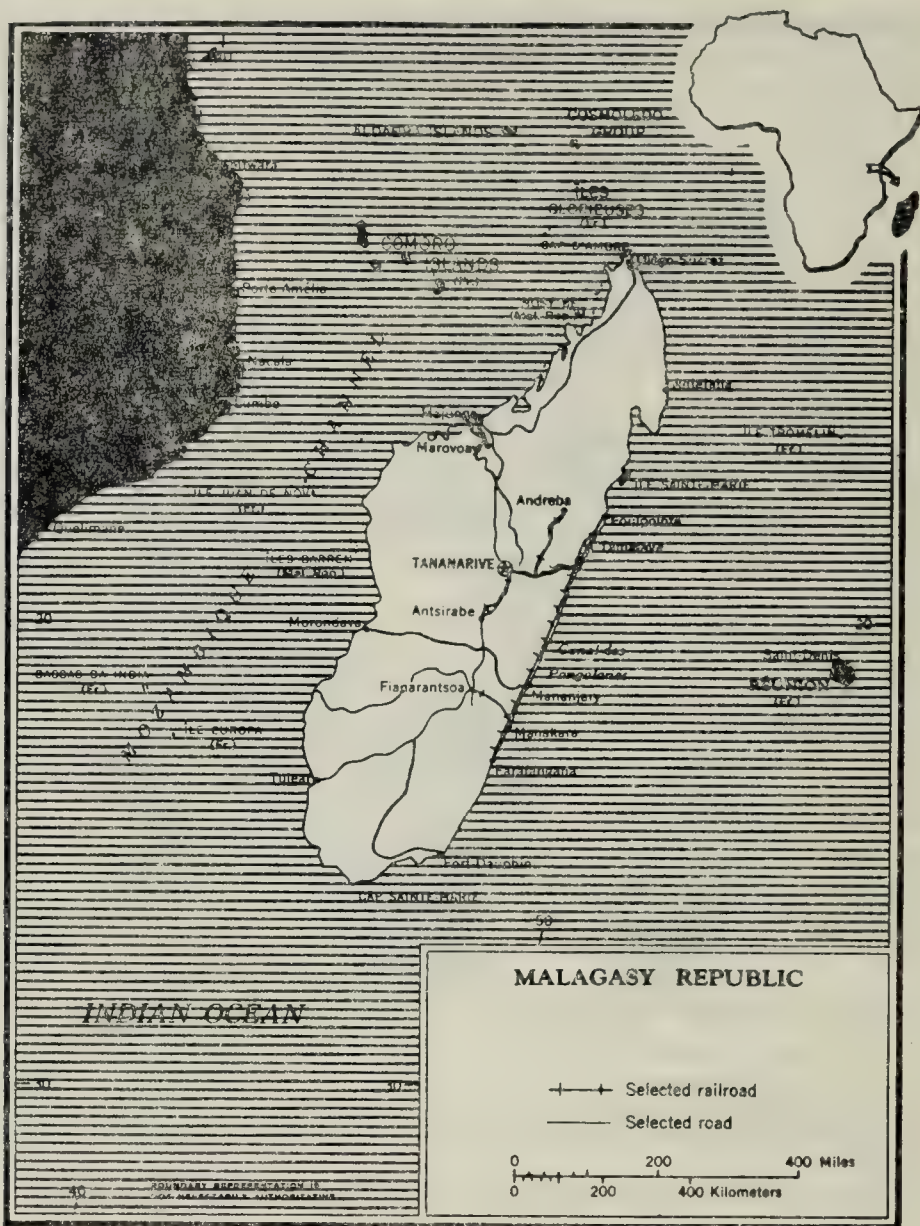
The CHAIRMAN. We thank you very much for your fine statement. It will certainly be considered by the members as we go into executive session.

Mr. GUTHMAN. Thank you. We are very glad to have had you here.

(The document entitled "The Malagasy Republic as a sugar supplier to the United States of America" follows:)

THE MALAGASY REPUBLIC AS A SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA





SUMMARY

The U.S. sugar needs

On November 5, 1963, when there was a world shortage of sugar and the U.S. sugar supply from foreign sources was in doubt, the U.S. Department of State sent a letter to the Foreign Minister of the Malagasy Republic asking the Malagasy Republic to ship sugar to the United States during 1964. The letter indicated that the response would be given consideration in establishing new quotas under future sugar legislation.

The Malagasy Republic responded quickly and generously

Without hesitation, 11,500 tons of sugar were offered to the U.S. market in November of 1963 and shipped in 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of this country's export supply.

This was done even though world sugar prices were higher than U.S. prices. Thus, this action meant a serious financial loss to the Malagasy Republic.

In the sugar field, the Malagasy Republic, unlike many other countries, did not have a "historic obligation" to the United States, yet out of friendship it chose to help.

In 1965, in recognition of the Malagasy Republic's response to U.S. needs in the prior year, the U.S. administration assigned the Malagasy Republic an entitlement to export 7,586 tons of sugar to the United States. This entitlement was far less than the quantities the Malagasy Republic held for the United States and shipped in 1964. It, in fact, was only a partial cargo, involving additional shipping costs.

Malagasy Republic is a new independent African nation

This country achieved independence in 1960. It has a stable, democratic government with universal direct suffrage. In international affairs the Malagasy Republic has identified and aligned itself with the principles and goals of the free, democratic world.

Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar, coffee, vanilla, and spices. The United States is the Malagasy Republic's second largest trading partner. Between 1960 and 1964 U.S. exports to the Malagasy Republic almost doubled.

Position of Malagasy Republic

The Malagasy Republic is the only newly independent country of Africa that has participated in the sugar trade of the United States. It believes that the U.S. response to its modest requests will be interpreted by other African countries as an indication of the way in which the United States intends to deal with the serious economic problems of Africa. For this reason it is urged that serious consideration be given to granting quotas in accordance with the good will evidenced, rather than by use of a mathematical system alone which, no matter how carefully weighted, cannot reflect the true state of affairs.

Accordingly, it is requested that the Government of the United States consider granting a minimum yearly quota of three cargoes of sugar, totaling 30,000 short tons, raw value.

MALAGASY REPUBLIC, SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA

GENERAL

The Malagasy Republic, often called Madagascar, is the world's fourth largest island. It has an area of 228,000 square miles and is approximately the size of France, Belgium, and Holland combined. It is less than 200 miles from the coast of East Africa and is considered, for all practical purposes, as part of Africa. The Malagasy Republic in 1964 had a population of 6 million. Its economy is based primarily on production of agricultural commodities and related processing industries such as sugar factories, meat and fruit canneries, soap factories, and so forth. Other types of industries are beginning to emerge such as assembly plants in the electrical and automotive fields, textile clothing, and plastics.

POLITICAL AND ECONOMIC

This country achieved full independence on June 26, 1960—it had been for a number of years a colony of France. It retains many of its old commercial ties, but has been steadily expanding its political and commercial relationships with other countries in the free world. Its main products are coffee, vanilla, sugar, pepper, cloves, and rice. It is one of the largest African and world producers of coffee. It is also a significant producer of sugar, with approximately 125,000 tons of sugar per year. It has additional land suitable for production of sugarcane and has been seeking to expand its market in this area to provide sustenance for its growing population.

The Malagasy Republic has a stable democratic government. It has universal direct suffrage. Since its independence in 1960 its emergence into the status of political independence has been characterized by stability and responsibility. There have been no revolutions, no uprisings, and the transition to independence has been achieved in an orderly manner.

RELATIONSHIPS WITH THE UNITED STATES

There have always been close and warm political and trade relations between the Malagasy Republic and the United States. The Malagasy Republic, especially since achieving independence, has endeavored to identify itself with the hopes and aspirations of the entire free, democratic world.

Its activities in the United Nations and its regular and unceasing concern with such matters as the Atomic Test Ban Treaty, the recognition of various countries of the world have been of a nature so as to win for itself within the United States a reputation of being "most cooperative."

The Malagasy Republic has been one of the major offshore elements in the satellite tracking station complex that the United States has established throughout the world and this participation has continued despite a great deal of misunderstanding as to the purpose of such stations.

EDUCATION

The Malagasy Republic's educational system is moving toward complete literacy. The new University of Madagascar is at the head of a public system of 150 technical schools, 38 secondary schools, and 2,500 primary schools with a total enrollment of just under 500,000. There are a number of private schools and many of the Republic's more than 2 million Christians are also trained in church primary, technical, and agricultural schools.

The literacy rate in the Malagasy Republic is one of the highest among the African nations—an overall rate of 35 to 40 percent, and as high as 60 percent in Tananarive.

FOREIGN TRADE

Madagascar's foreign trade, imports and exports, is in good part with France. However, the second largest country trading partner of Madagascar is the United States. Since independence in 1960, U.S. exports to Madagascar have expanded dramatically. In 1960 U.S. exports to Madagascar were valued at \$2,491,391—in 1964 U.S. exports almost doubled, to slightly over \$3,950,000. This expansion of trade to Madagascar has occurred both in the industrial area and for U.S. surplus agricultural commodities. This major expansion in export trade took place while U.S. imports from Madagascar were expanding also, but at a lesser rate of increase.

SUGAR ECONOMY OF THE MALAGASY REPUBLIC

Madagascar sugar production has expanded significantly since 1954. The country now has not only become self-sufficient, but has started exporting significant quantities of sugar. Sugarcane is grown throughout the island, but its industrial production is limited to several growing regions in the west (Namakia, near Majunga), the northwest (Ambanja, the island of Nossi-be, and Ambilobe), and on the east coast (Brickaville and Tamatave). The cane is processed in factories at Namakia, Nossi-be, Ambilobe, and near Brickaville. Significant quantities started to be exported in 1957. Of its current 125,000 short tons of production 77,000 to 80,000 short tons of raw sugar is now normally exported to European countries, France, and other areas, including Africa and recently the United States (in 1964).

Malagasy Republic sugar production exports consumption, 1955-64

[Thousands of short tons, raw value]

Year	Production	Exports	Consumption
1955.....	37	3	22
1956.....	51	1	24
1957.....	65	12	25
1958.....	77	45	26
1959.....	72	36	29
1960.....	96	48	31
1961.....	97	51	39
1962.....	96	66	43
1963.....	125	77	42
1964.....	84	77	48

Source: International Sugar Council Statistics and Publications.

MADAGASCAR SUGAR AND THE U.S. MARKET

Before 1964, however, the Malagasy Republic was not permitted to export sugar to the United States, though it was most anxious to do so. This interest of course was heightened by the fact that the U.S. price between 1957 and 1963 averaged $2\frac{1}{2}$ U.S. cents a pound higher than the world price.

In early 1963 the price situation reversed itself. The world price started to climb and then exceeded the U.S. price. It became disadvantageous pricewise to sell to the United States. In November this disadvantage was at its greatest. As the chart shows, the U.S. price in November 1963 was 3.23 cents a pound lower than the world price. It was then that Madagascar was first permitted to export to the United States.

U.S. SUGAR SUPPLY SITUATION 1963 AND 1964

The U.S. supply of sugar was in some difficulty as a result, since the United States normally depends on foreign countries for up to 45 percent of its supply and most foreign sources were tempted by the higher world market prices.

However, since most of the foreign countries which normally supplied the United States had had the advantage of the many previous years when the U.S. price was higher than the world, it could have been expected that they would continue to sell to the United States even in a period of price disadvantage. In early November 1963, the U.S. Department of State sent letters to most of the sugar-producing countries of the world, including one sent on the 5th of November 1963 to the Foreign Minister to the Malagasy Republic, asking whether they could ship sugar to the United States during 1964. The letter stated that the United States would give consideration in establishing its new quotas in the new sugar legislation to the amounts that were offered and shipped to the United States as a result of this letter.

MALAGASY REPUBLIC RESPONSE TO U.S. REQUEST

The Malagasy Republic's response to this letter was quick and, in view of the circumstances, generous. At the time that this request was made the U.S. price for sugar was \$9.34 per hundred pounds and the world price was \$11.63 per hundred pounds. If we reduce the U.S. price by duty and by shipping costs to the United States since Madagascar could have sold sugar at the world price to markets in the nearby area, the differential between what the United States would pay and what Madagascar could get elsewhere would have been up to \$4 per hundred pounds.

At that time it was by no means clear that a differential in favor of U.S. prices would ever be reestablished. Yet without hesitation, in December 1963, 11,550 tons of sugar were promised to the U.S. market. In late April, when a differential in favor of the world market still existed, Madagascar offered an additional 5,500 tons of sugar to the United States for a total commitment of 17,000 tons, more than one-quarter of its export supply. In the context of today's sugar market, these commitments perhaps may not seem important; however, in late 1963 and early 1964, it seemed to observers, based on actual trading in the futures market, that the U.S. price for sugar would continue to be lower than the world market price for some time to come, possibly for many years. For a country with such limited financial resources to devote more than 25 percent of its exportable sugar to the U.S. market at such a time was a remarkable decision, especially when it meant a sacrifice of almost 50 percent of the net revenue that it might otherwise have expected.

While Madagascar's decision was made with some expectation that it would thereby be enabled to expand its trade with the United States, the most important impetus was a feeling of friendship and a desire to establish closer economic and political ties with the Western Hemisphere.

RESPONSE OF OTHER COUNTRIES

As stated, it is understood that similar requests were made by the United States to every sugar-producing country in the world with the exception of those behind the Iron Curtain, and Cuba. The Malagasy Republic is not, of course, in a position to know what the responses were, but the record of what actually happened in 1964 speaks for itself. A few highlights from the actual record should be noted:

In all, in 1963, 31 countries had exported sugar to the United States. As exporters of sugar to the U.S. market, all of these countries had benefited in the

past by the favorable price situation in the United States as compared with the world market. For most of these countries such price benefits had existed since 1960 and for some of the countries for many, many more years.

Of the 31 countries which supplied sugar to the United States in 1963 and prior years, only 8 increased their exports in 1964 to the United States, presumably in response to this urgent appeal.

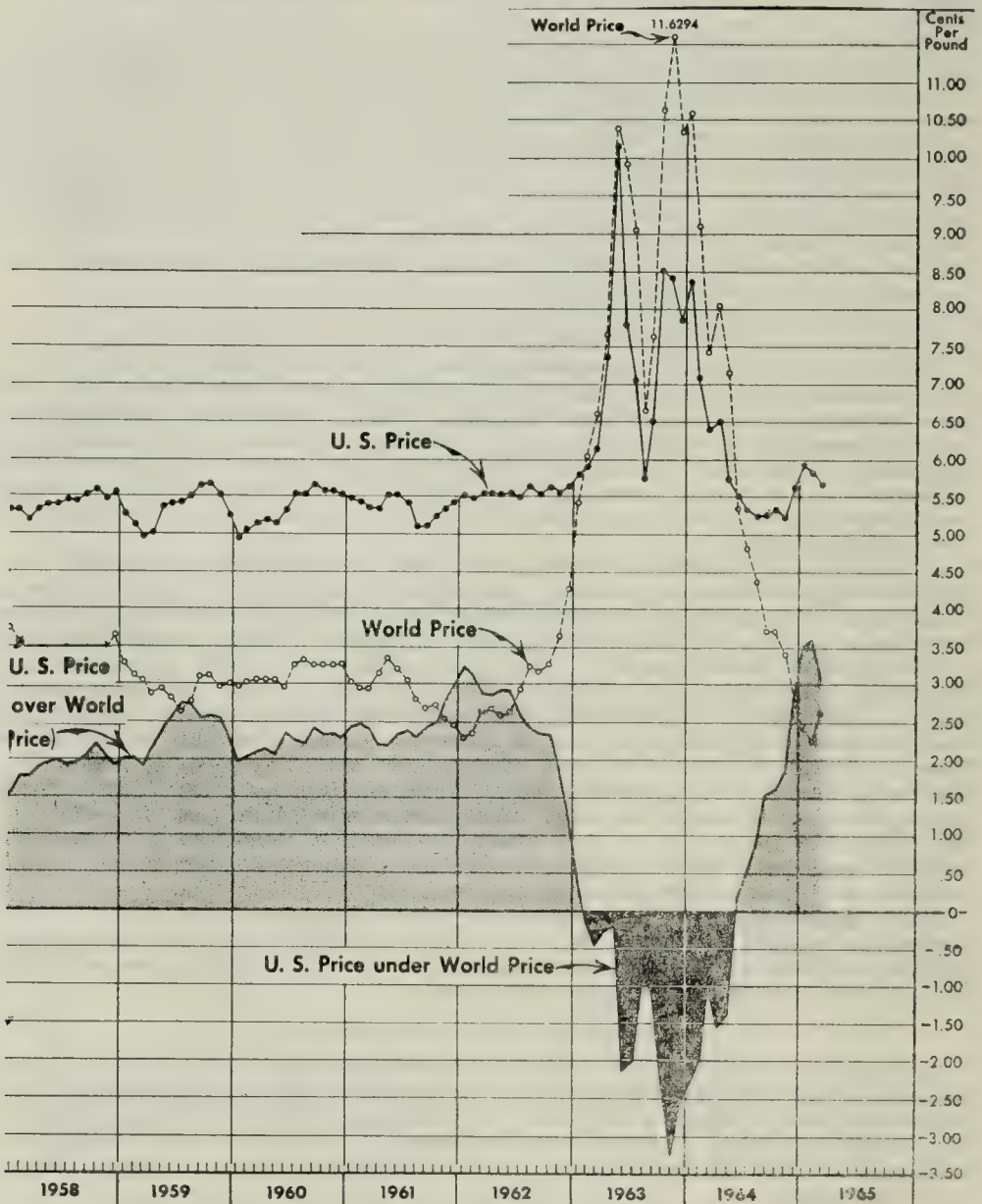
Of the eight countries which increased exports to the United States only two supplied more than fractional increases in 1964 over 1963.

Several countries which had supplied sugar in 1963 supplied nothing in 1964.

One country, Mexico, increased its exports in 1964 compared to 1963 by a substantial quantity from approximately 379,000 to 491,000 tons.

One country, the Malagasy Republic, had never supplied sugar in prior years, had no history of advantageous sales to the United States in the past, yet volunteered to export sugar to the United States in 1964.

It is possible, of course, that many of the countries who in effect failed to respond to the U.S. plea, failed to do so because of hurricanes and natural



disasters or crop failures, and were not in a position to expand exports. However, it is worth noting that a number of such historic suppliers to the U.S. market not only chose 1964 as a year in which to decrease their exports to the United States but also as a year in which to expand their exports to other markets.

POSITION OF MALAGASY REPUBLIC

The Malagasy Republic, has no quarrel with any other country as a supplier of sugar. It wishes only to point out that in the sugar field, the Malagasy Republic did not have an obligation to the United States, yet out of friendship chose to help.

Madagascar is the only newly independent country of Africa that participates in the sugar trade of the United States. While Africa as a whole is not yet as important a sugar-producing area as others, it has plans for expansion of agriculture in the direction. There are a number of sections of Africa that are well suited to the production of this important commodity and Africa as a whole is developing its agriculture rather later than most of the countries of Latin America and the Far East. While in no way wishing to challenge the position of those countries that have had long and remunerative trade relationships with the United States, it is felt that the ability of Africa to participate in such an important market as the U.S. sugar market should not be hampered by the lack of a history of having exported such a commodity in the past, when in fact this important area has not been in a position to develop its ability to produce such commodities until very recently.

The Malagasy Republic feels that it is representative of Africa and that the U.S. response to its very modest requests will be interpreted by the other African countries which are producers of raw materials and agricultural materials, as an indication of the way in which the United States intends to deal with the serious economic problems of this area. For this reason it is urged that serious consideration be given to granting quotas in accordance with intent and rare good will evidenced by the Malagasy Republic rather than by using a rare mathematical system which, no matter how carefully weighted, cannot reflect the true state of affairs.

THE MALAGASY REPUBLIC REQUEST

Accordingly, the Malagasy Republic requests that the administration and the Government of the United States considered granting a minimum quota to the Malagasy Republic of three cargoes of sugar, totaling 30,000 short tons, raw value.

A further consideration is the possibility of imposition of a fee by the U.S. Government to recapture the difference between the world price and the U.S. price. While this may have a certain merit, from the point of view of the suppliers of sugar to the United States who are very close in time and distance to the United States, the imposition of such a fee presents serious difficulty for the Malagasy Republic.

U.S. sugar receipts from foreign countries

[Short tons, raw value]

	1963	1964		1963	1964
Argentina.....	228, 573	19, 828	India.....	118, 969	110, 562
Australia.....	223, 593	216, 705	Ireland.....	9, 982	
Belgium.....	7, 364	5, 192	Madagascar.....		11, 569
Brazil.....	469, 833	183, 708	Mauritius.....	66, 617	
British Honduras.....	1, 712	6, 006	Mexico.....	379, 371	490, 843
British West Indies.....	141, 359	142, 212	Nicaragua.....	38, 402	50, 351
China, Republic of.....	71, 272	81, 166	Panama.....	10, 225	19, 276
Colombia.....	45, 028	28, 304	Paraguay.....	4, 689	
Costa Rica.....	40, 649	40, 537	Peru.....	413, 431	235, 000
Dominican Republic.....	590, 005	411, 501	Philippines.....	1, 194, 847	1, 216, 247
Ecuador.....	56, 491	57, 931	Reunion.....	20, 870	
El Salvador.....	18, 967	20, 582	South Africa.....	132, 282	119, 957
Fiji Islands.....	48, 573	54, 491	Southern Rhodesia.....	10, 598	10, 271
France.....	38, 583	5, 343	Turkey.....	13, 619	
French West Indies.....	94, 312	37, 194	Venezuela.....	11, 916	4, 289
Guatemala.....	51, 059	37, 747			
Haiti.....	40, 433	15, 028	Total.....	4, 593, 624	3, 631, 840

Source: Sugar Report No. 153, February 1965.

U.S. dollar exports to Malagasy Republic, 1960-64

Item	1960	1961	1962	1963	1964	Percent change 1964 over 1959
Food and live animals including milk and cream, cereal preparations and fruit preparations.....	\$833	\$62,348	\$187,530	\$206,929	\$322,318	38,859
Tobacco and beverages.....	52,832	39,306	46,943	89,539	131,685	+149
Crude materials, inedible mostly textile fabric waste.....	828,579	209,285	192,966	120,073	18,302	-97
Mineral fuels, lubricants and related products (mostly petroleum).....	100,652	401,150	358,703	113,693	220,885	+119
Chemicals including paints and drugs.....	23,502	20,809	43,366	77,554	52,693	+124
Manufactured goods including hand tools, rubber products, madeup textiles, and iron and steel products.....	58,015	85,567	45,072	78,682	174,377	+200
Machinery and transport equipment including agricultural machinery, machinery for special equipment, road motor vehicles, aircraft and electrical machinery.....	1,371,640	1,344,238	1,675,012	2,485,664	2,468,844	+80
Manufactured articles including furniture, instruments, and printed matter.....	22,179	45,366	44,113	48,150	49,237	+122
Special shipments.....	33,159	48,136	164,027	197,801	512,095	1,328
Total, U.S. exports to Malagasy.....	2,491,391	1,895,205	2,757,732	3,418,085	3,950,436	+58

The CHAIRMAN. I would like to insert into the record without objection, on behalf of the Swaziland Sugar Association a statement submitted by them and I want also to insert into the record, without objection, a letter with attached statements for Carlos Sanz de Santamaria, chairman of the Inter-American Committee on the Alliance for Progress.

(The documents referred to follow:)

STATEMENT OF THE SWAZILAND SUGAR ASSOCIATION

Swaziland is a small developing country, 6,705 square miles in area, lying between the Transvaal Province of South Africa and Mozambique (or Portuguese East Africa). The population is approximately 288,000, of which 277,000 are Africans coming almost entirely from one tribe—the Swazi; 8,000 are of European descent; and just under 3,000 are of mixed race. The country is unmarked by racial strife and promises to be a symbol of rational and progressive development among the emerging independent nations of Africa.

Swaziland is now a British protectorate and is making rapid progress toward independence. There is already an elected Legislative Council, the majority of whose members are African. The ruling party whose supporters won all the seats in the election last year is conservative in outlook and anxious to see further development of the economy so that viable independence will be achieved. Independence is expected within a year and certainly will be achieved during the currency of this new U.S. sugar legislation.

The sugar industry which started in 1958 is now the largest and most important industry in Swaziland. Its members employ some 10,000 persons, or more than any other single industry. Sugar exports from Swaziland represent in value approximately 40 percent of total exports. Employment of agricultural and industrial workers by the sugar industry provides an excellent means of enabling Swazi to become skilled workers. Swazi are already operating caterpillar earth-moving machinery used extensively in the industry, driving heavy trucking equipment, and operating the complicated machinery in the sugar mills. In addition, Swazi are employed for clerical and other administrative duties. It

is readily apparent that the sugar industry is a most vital factor in the economy of Swaziland.

In 1965 Swaziland was allocated a quota of 9,300 tons in the U.S. market. Prior to 1965 and since 1958, Swaziland's sugar production was integrated with that of South Africa under an intergovernmental agreement whereby South Africa undertook to provide markets for all Swaziland's production be restricted to a maximum tonnage. Beginning in 1964 the production limitation was changed to an 8½-percent share of the combined local and export markets of South Africa and Swaziland. Under the agreement, all export sugar was marketed by the South African Sugar Association in its own name. Thus, Swazi did not appear as a separate entity in international sugar trade. As a consequence, Swaziland was not specifically referred to in the Sugar Act Amendments of 1962. Its participation was reflected, however, in the quota allocated to South Africa in those amendments.

In response to the emergency requirements of the United States in 1963 and 1964, South Africa shipped additional tonnages of sugar which were, in part, available because of the contribution from Swaziland's production to South Africa's general export availability.

By mutual agreement these arrangements, whereby South Africa was responsible for marketing Swaziland sugar, were terminated on December 31, 1964. Now South Africa is no longer in any way responsible for providing markets for Swaziland sugar; Swaziland is now on its own, an entity in the world sugar market. Since Swazi's own local consumption is only some 8,000 tons, the Swaziland sugar industry is now entirely dependent upon exports. It is only in the context of the Commonwealth Sugar Agreement that Swaziland has any other assured outlet for a proportion of her export availability.

Swaziland's independent position was recognized by the U.S. Department of Agriculture when the quotas for 1965 were determined and Swaziland was allocated 9,300 tons. This represented an 8½-percent share of the combined total of 109,408 tons allocated to Swaziland and South Africa. This action, coming as it did from the first foreign country to establish a consulate in Swaziland, was particularly welcome as evidence of U.S. interest and confidence in the future of the country.

Swaziland now urges the Congress to reaffirm this interest by the allocation of a quota to Swaziland of at least 9,300 tons. In fact, Swaziland respectfully urges that its quota be moderately increased, if possible, to 15,000 or 20,000 tons.

The current 1965-66 crop is expected to produce about 150,000 tons. The estimated production from existing developed caneland in 1966-67 will be on the order of 180,000 tons. A quota in the U.S. market provides a stable outlet at a satisfactory price which is necessary for stability in the industry—particularly in a producing country which, like Swaziland, consumes such a small proportion of its own production.

From a purely commercial viewpoint, a modest increase in the present quota would facilitate shipping arrangements since a quota of 9,300 tons represents only a partial normal cargo load and is less economical to ship. An increased quota, as is urged, would be help in the form of trade to help Swaziland help itself. It would encourage this emerging African nation—soon to become independent—which has already shown every sign of developing in a sensible, responsible, and democratic fashion in the heart of Africa.

Respectfully submitted.

ROBERT D. LARSEN,
Washington, D.C.

(Robert D. Larsen is a registered agent under the Foreign Agents Registration Act of 1938, as amended, for the Swaziland Sugar Association, Post Office Box 445, Mbabane, Swaziland, South Africa. A copy of the foregoing is being filed with the Registration Section and said filing is not to be regarded as an indication that the U.S. Government has approved the foregoing.)

ORGANIZATION OF AMERICAN STATES,
PAN AMERICAN UNION,
Washington, D.C., August 18, 1965.

HON. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

MR. CHAIRMAN: In accordance with our recent conversation concerning the sugar problem and its implications for the Latin American members of the Alliance for Progress, I have the honor of submitting for your consideration and that of the Committee on Agriculture which you chair, the enclosed statement of my views on the matter. The document has been prepared in response to discussions and recommendations made at the second meeting of the sugar authorities of the member countries of the Organization of American States, held in Washington, D.C., last April, but represents views for which I alone assume responsibility.

It would have been a great pleasure for me to appear personally before your committee, in order to make known to you and your members the interest of the Latin American countries on this subject. However, because of the postponement of the public hearings from the original date set, unfortunately I am unable to attend personally during the new dates because of previous commitments abroad. Therefore, may I request, if possible, that my statement be included in the official record of the Hearings.

Sincerely yours,

CARLOS SANZ DE SANTAMARIA,
Chairman, Inter-American Committee on the Alliance for Progress.

STATEMENT BY CARLOS SANZ DE SANTAMARIA, CHAIRMAN OF THE INTER-AMERICAN
COMMITTEE ON THE ALLIANCE FOR PROGRESS

INTRODUCTION

I have the honor of submitting this document for consideration by the Congress of the United States of America. It sets forth the principal elements underlying the position of the Latin American sugar-producing countries regarding proposed new U.S. sugar legislation.

The discussion commencing now on legislation to regulate U.S. sugar production and trade gives this Congress an extraordinary opportunity to affirm once again the desire of this country's legislative and executive authorities to support and encourage the Alliance for Progress.

The Congress is now facing the responsibility of legislating in an area involving simultaneous consideration of the reasonable interests of the domestic producer, the legitimate rights of the American consumer, and this country's commitments in its decision to aid fellow members of the inter-American system.

Thus, whether this country's new sugar legislation initiates a new era in hemisphere relations will depend upon the good judgment with which the problem of reconciling these factors is met.

The Charter of Punta del Este sets forth two points which, because of their great importance, merit special mention: the need to stimulate the Latin American countries' economic development in order for them to achieve better living conditions for their people, and the importance of foreign trade as a dynamic factor in sustaining this development.

The fact that the Charter of Punta del Este recognizes the importance of foreign trade in the Latin American development process evidences the concern of hemisphere governments with an aspect of the problem-ridden Latin American economy, which for several years has been acquiring evermore alarming features. Indeed, despite the need to meet the requirements of higher living standards for rapidly growing populations, one of the decisive factors for strengthening the economic base upon which improvements must be founded—i.e., export revenues—is growing very slowly. In fact, between 1953 and 1963, the value of Latin American exports increased by 2.8 percent per annum, while the rate for the other developing countries was 5 percent, that of the developed countries was 6.8 percent, and the world rate was 6.2 percent.

The seriousness of these divergent growth rates is dramatized by the fact that, as a result, Latin America has been unable to share in the marked expansion of world trade that has taken place over the same period. On the contrary, the region's participation in total world trade fell from 9.4 percent of the total

in 1953 to 6.8 percent in 1963. Participation by the developed countries, on the other hand, climbed from 72.5 to 77.1 percent.

This state of affairs has been brought about by both internal and external causes. The former include certain structural deficiencies in the economies, which, in the short run, Latin America is unable to correct for lack of resources. Only a substantial increase in export revenues would permit the adoption of necessary remedial measures.

Among the external causes, particular significance attaches to the consequences of policies pursued by certain developed countries in regard to the production and marketing of agricultural commodities. In this respect, not only the subsidization of uneconomical agricultural production, but also the granting of discriminatory preferences to certain countries or groups of countries, have tended to restrict the possibilities for Latin American exports.

The matter that concerns us here, which is the Latin American sugar trade, is no exception to the overall picture sketched above. As with many other basic commodities, Latin America is an efficient sugar producer, with particularly suitable soil and climate, a long tradition in this branch of agricultural production, large investments in equipment and facilities, and a longstanding command of mill operation techniques.

In spite of this favorable position, the region is unable to take firm advantage of it, because of the existence of various restricted markets organized to protect the domestic production of certain developed countries or that of exporting countries associated with them.

Under these circumstances, the U.S. market has special significance for Latin America. Such will be the case until the establishment, on a worldwide scale, of an arrangement allowing for equitable participation by all exporting countries in marketing their sugar. It also explains the concern with which Latin American governments view the gradual reduction in their share of the U.S. sugar market.

The chief elements underlying Latin America's position on sugar are the principles of the Charter of Punta del Este regarding the role of international trade as a dynamic factor in the economic development of Latin American countries; the sugar industry's economic and social implications in Latin America; the region's longstanding tradition of supplying sugar to the United States and the importance to the latter of having a secure and efficient regional supplier; the adverse consequences of imposing import fees on sugar, which lower net revenues from exports of this commodity; the great significance of Latin America as a customer of the United States; and finally, Latin America's just aspirations in regard to its participation in supplying sugar to the U.S. market.

I. THE ALLIANCE FOR PROGRESS AND EXTERNAL TRADE

Just as inter-American political solidarity has a long tradition unequalled in the rest of the world, so, too, in the economic and social sphere, the governments' desire for better living conditions for their people through the cooperative efforts of the hemisphere's countries has been unanimous and is clearly defined.

This definition is contained in the Charter of Punta del Este which, upon the initiative of President Kennedy, established the Alliance for Progress. The objectives of the Alliance, reaffirmed by President Johnson, are clear and concise; basically, they involve acceleration of the economic and social development of the participating countries of Latin America so that they may achieve maximum levels of well-being, with equal opportunities for all, in democratic societies adapted to their own needs and desires.

It might be alleged that from a purely legalistic point of view the Charter of Punta del Este is not a formal international treaty that can be invoked to compel action by its signatories. In reality, the Charter of Punta del Este represents much more than that: It is the highest expression of the desire of peoples and governments to strive together to achieve the minimum goals of well-being for the population of an entire continent. Hence, one can speak of the "mystique of the Alliance," and at no time has there been any doubt of the validity of commitments made in signing the charter.

The Charter of Punta del Este not only stipulates clearly the Alliance's objectives, but it also establishes incontrovertibly the importance of foreign trade as a dynamic factor in development. In title IV, in fact, member countries of the Alliance "recognize that the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign

exchange incomes received from exports, a lessening of cyclical or seasonal fluctuations in the incomes of those countries that still depend heavily on the export of raw materials * * *." Moreover, to permit expansion of the Latin American countries' trade so as to achieve the stated goals, the charter specifically mentions, among others, the following commitments by importing member countries:

(a) Reduction and, if possible, elimination within the shortest possible period, of restrictions on the consumption and importation of primary products, including those with the highest possible degree of processing in the country of origin;

(b) Elimination, also as soon as possible, of undue protection of the production of basic products;

(c) Reduction and elimination of taxes discouraging the consumption of imported basic products;

(d) In general, abstention from following policies that cause adverse fluctuations in the volume and prices of exports of basic products.

The Charter of Punta del Este has defined the responsibilities of the member governments in the cooperative effort to hasten the region's economic development and social well-being. The Latin American governments are facing the indispensable reforms and have taken on the scheduling of future development. In every case, however, economic and financial difficulties are hindering reforms and programs.

The Government of the United States, founding and driving force of the Alliance for Progress, has been, is now, and will continue to be the decisive element of success in the pursuit of the Alliance's goals. This country's cooperation under the Alliance in the area of financing and technical assistance is of extraordinary importance. In regard to foreign trade, however, U.S. cooperation with Latin America has not met with expectations.

The Latin American countries are aware of their responsibilities under the Alliance. They appreciate and value the cooperation rendered by the United States. But they have also had the bitter experience of observing that external financial assistance programs are inadequate to sustain the effort demanded by the development goals of the Alliance itself.

The importance of financial assistance is not discounted; but for purposes of the Alliance for Progress, which requires the implementation of the highest order of domestic effort and structural and institutional reforms, an increase in income from exports is the principal factor in fostering development, whereas other types of aid are but immediate auxiliary measures that will tend to disappear as Latin American countries expand and consolidate their economic base.

It has been shown that only an increase in export revenues can break the stranglehold in which Latin American "economic opportunity" now finds itself.

II. IMPORTANCE OF THE SUGAR INDUSTRY TO LATIN AMERICA

Sugar is one of Latin America's most important products from the economic as well as the social standpoint. As a provider of foreign exchange, sugar held fifth place (excluding petroleum) in 1963 and eighth in 1964, as can be seen in chart 1.

In 1963, revenues from sugar sales abroad represented, for 14 exporting countries, almost 7 percent of total export income. For example, this commodity accounts for more than 50 percent of the Dominican Republic's total export (see table 1). Furthermore, the impact of sugar upon the principal exporting countries' economies is appreciably greater than that of other products enjoying a relatively higher volume of exports. This is because, in addition to sugar's being an agricultural product requiring numerous workers for its cultivation, its refining is an economic activity with a great bearing on the general economic situation of the country producing it. It is well known that the goods and services the sugar industry demands generate collateral activities whose importance, though not precisely measurable, is of considerable significance. Moreover, in many parts of Latin America, activities associated with sugar growing last throughout all or most of the year and are an important employment stabilizing factor.

If the social implications of the sugar industry are borne in mind, it will be easy to understand the serious concern with which Latin American governments look upon the problems facing them in marketing sugar abroad. Unofficial estimates, though rather conservative, allow one to say that this activity provides employment for about 1 million workers. With their dependents included, this

means that a total of more than 4 million persons rely upon the sugar industry for their livelihood.

By way of illustration, a few examples can be cited to point up the sociological importance of sugar production and refining. Mexico, the area's second largest producer and leading exporter of sugar to the United States, shows the following distribution of income from this commodity: 43 percent goes to some 83,000 farmers owning the canefields with an average area of about 9 acres, 19 percent goes to sugar mill workers, 24 percent covers the mills' production costs and profits, and 14 percent is for distribution and sales costs.

In Colombia, between 60 and 65 percent of the cost of sugar stored in mills is for wages and social benefits.

In Peru, small farmers and cooperatives own more than 30 percent of production. In Central America, this proportion reaches 55 percent. In Brazil, 50 percent of production belongs to about 50,000 small and medium farmers.

In all producing countries, moreover, the sugar industry supports extensive social welfare services (medical and educational) for its employees.

The idea that has existed, and that persists in many ill-informed circles, that Latin American sugar production benefits only a small nucleus of privileged persons, lacks any basis. In some cases it merely reflects the situation of a remote and different past.

TABLE 1.—*Latin America: Value of sugar exports and percentage of total exports, 1963*

[Millions of dollars]

	Sugar exports ¹	Total exports	Percentage
Dominican Republic.....	89.3	174	51.3
Peru.....	64.9	540	12.0
Haiti.....	4.8	41	11.7
Mexico.....	59.6	985	6.1
Nicaragua.....	6.0	100	6.0
Costa Rica.....	5.1	95	5.4
Brazil.....	72.9	1,406	5.2
Argentina.....	63.9	1,365	4.7
Guatemala.....	6.2	154	4.0
Ecuador.....	5.6	149	3.8
Panama.....	1.6	60	2.7
Paraguay.....	.7	40	1.8
El Salvador.....	2.4	154	1.6
Colombia.....	5.5	446	1.2
Subtotal.....	388.5	5,709	6.8
Venezuela.....	13.8	2,629	.5
Total Latin America.....	402.3	8,338	4.8

¹ In addition to sugar, includes in some cases certain sugar byproducts; their value within the total exported is negligible.

Sources: United Nations, "Yearbook of International Trade Statistics 1963" (New York, 1964); SIECA, "4th Central American Statistical Compendium" (March 1965).

For Latin America, the sugar industry means the development of an activity for which it enjoys exceptional ecological conditions. Further it represents a clear and undisputed example of what can be accomplished with a properly organized, sustained effort. This industry, so long a part of Latin America, has been developed and consolidated over a period of time thanks to the persistence of local entrepreneurs. In many regions the sugar plantation was the first to receive the benefits of improved agricultural techniques later extended to others. The sugar mill itself was the first vocational school.

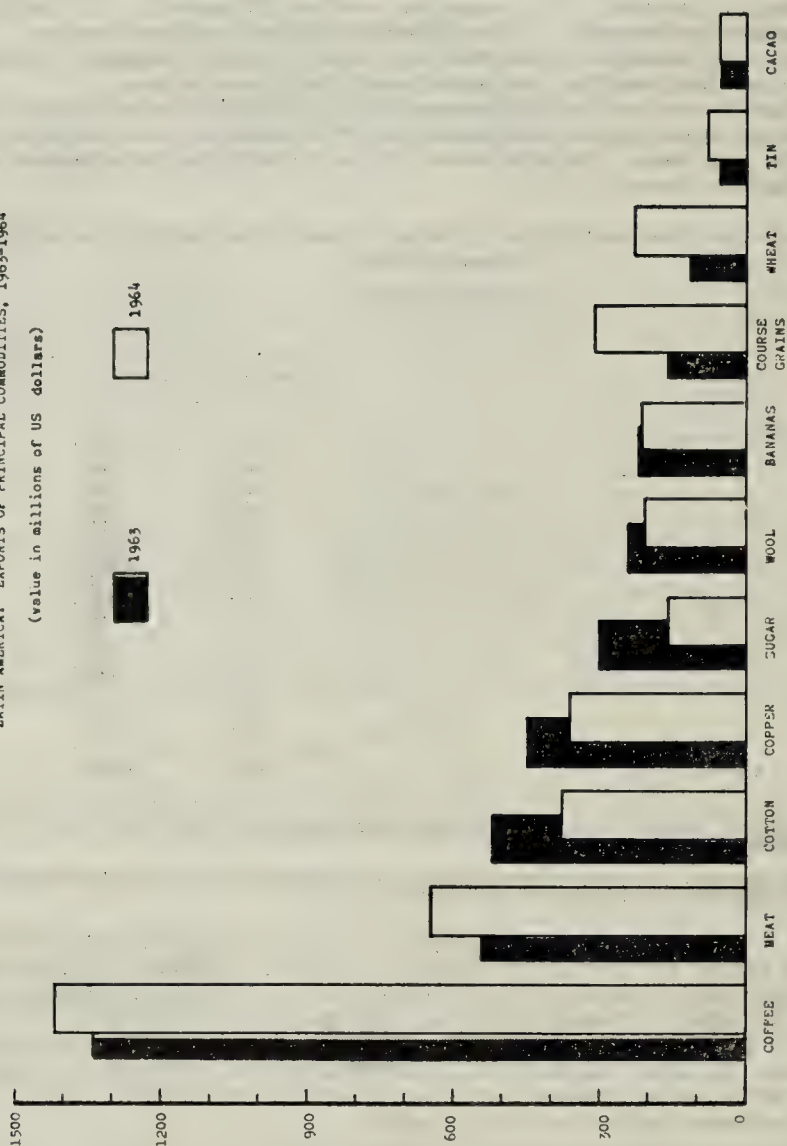
All this, as a result of the crisis in the world sugar market and the prospects for further reductions in exports to the United States, is in danger of being lost.

III. LATIN AMERICA AS SUGAR SUPPLIER TO THE U.S. MARKET

Latin America has traditionally been the chief supplier of foreign sugar to the U.S. market. Until 1959, its share in supplying the U.S. market accounted for more than 90 percent of the total imports from foreign sources other than the Republic of the Philippines. Until that year, Latin American participation was

LATIN AMERICA: EXPORTS OF PRINCIPAL COMMODITIES, 1963-1964

(value in millions of US dollars)



Note: 1964 figures are preliminary.

Sources: América Latina: Problemas y perspectivas del desarrollo económico, 1964, Parte I, (CEA/Ser.W/4.6, CIES/627, 28 nov. 1964), UNION PANAMERICANA; International Country Fund, (official data)

limited almost exclusively to Cuba, a country which, owing to historical and economic circumstances, had long been a prominent supplier of sugar to the United States. The other countries in the region that exported to this market were Peru, the Dominican Republic, Mexico, Nicaragua, Haiti, and El Salvador. A few countries outside this hemisphere also participated, but their exports were insignificant.

Since Cuba has been eliminated from the U.S. market, Latin America has been making a genuine effort to supply more sugar to that market. At the same time, however, the sales opportunities of other extracontinental producers, whose exports to the United States had previously often been sporadic and, in any case, limited, have sharply increased at the expense of Latin American participation. Supplies from domestic production and the Philippines have also increased substantially.

Tables 2 and 3 and chart 2 provide clear evidence of the constant decline in the sugar between Latin America and its principal traditional customer.

There are, therefore, factors to support Latin America's aspiration to preserve its position as a supplier of the U.S. sugar market. But events since 1961 demonstrate that its position has rapidly deteriorated.

In 1959 and 1960, Latin American participation in meeting this country's sugar requirements constituted about 37 percent of the total. A few years later, that is to say, in 1964, this participation dropped to less than half, or 17.4 percent of the total offered for consumption. Meanwhile, domestic producers increased their deliveries by 8 percent, the Philippines, by 3 percent, and the other extracontinental foreign countries increased their deliveries more than 80 times, as shown in table 2 and chart 3.

From the viewpoint of Latin America, this situation is even more discouraging. This is because its chief extracontinental competitors, such as the territories and countries of the British Commonwealth of Nations and Metropolitan France, the French overseas departments and territories enjoy the preferential sugar markets of their former metropolis or of the more developed countries in those groups, to whose markets Latin American sugar exports do not have access under the same conditions.

TABLE 2.—United States: Final adjusted sugar quotas for domestic producers and foreign countries, 1959–64

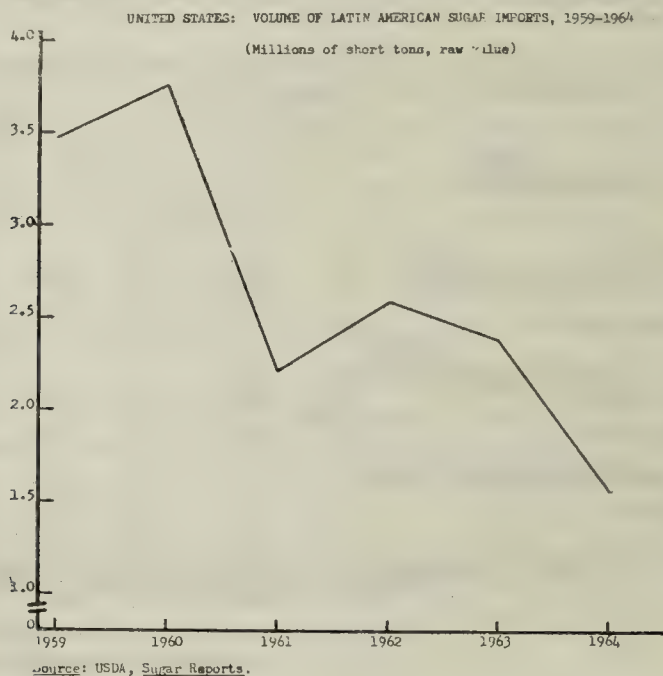
	1959	1960	1961	1962	1963	1964
In thousands of short tons, raw value						
Domestic production:						
Continental production.....	2,965	3,289	3,324	3,295	4,037	3,610
Insular production.....	1,960	1,843	2,027	1,981	1,923	1,918
Total domestic production.....	4,926	5,132	5,352	5,276	5,960	5,528
Latin America:						
Cuba.....	3,215	2,420				
Rest of Latin America.....	270	1,338	2,207	2,598	2,394	1,584
Total Latin America.....	3,486	3,757	2,207	2,598	2,394	1,584
Other foreign countries:						
Philippines.....	980	1,156	1,471	1,267	1,195	1,220
Rest of the world.....	9	119	791	855	966	787
Total, other foreign countries.....	989	1,275	2,262	2,122	2,161	2,007
Unassigned.....		236	180	4		
Total.....	9,400	10,400	10,000	10,000	10,515	9,119
Percentages of total consumption						
Domestic production.....	52.4	49.3	53.5	52.8	56.7	60.6
Latin America.....	37.1	36.1	22.1	26.0	22.7	17.4
Philippines.....	10.4	11.1	14.7	12.7	11.4	13.4
Rest of the world.....	.1	1.2	7.9	8.6	9.2	8.6
Unassigned.....		2.3	1.8			
Total consumption.....	100.0	100.0	100.0	100.0	100.0	100.0

Sources: 1959–62, U.S. Department of Agriculture, "Sugar Reports" No. 138 (October 1963), p. 30; 1963, *ibid.*, No. 145 (June 1964), p. 16; 1964, *ibid.*, No. 152 (January 1965), p. 13.

TABLE 3.—*Final adjusted sugar quotas for foreign countries, 1959-64*

Country or region	1959	1960	1961	1962	1963	1964
In thousands of short tons, raw value						
Latin America:						
Cuba.....	3,215	2,420				
Rest of Latin America.....	270	1,338	2,207	2,598	2,394	1,584
Total Latin America.....	3,485	3,758	2,207	2,598	2,394	1,584
Other foreign countries:						
Philippines.....	980	1,156	1,471	1,267	1,195	1,220
British Commonwealth.....	1	97	534	616	754	659
Rest of the world.....	8	21	157	139	212	128
Total, other foreign countries.....	989	1,275	2,262	2,122	2,161	2,007
Unassigned.....		256	180	4		
Total.....	4,474	5,269	4,649	4,724	4,555	3,591
Percentages of total imports						
Total Latin America.....	77.9	71.3	47.5	55.0	52.6	44.1
Total other foreign countries.....	22.1	24.1	48.6	44.9	47.4	55.8
Philippines.....	(21.9)	(21.9)	(31.6)	(26.8)	(26.2)	(34.0)
British Commonwealth.....	(—)	(1.8)	(11.5)	(13.0)	(16.6)	(18.4)
Rest of the world.....	(.2)	(.4)	(5.5)	(4.5)	(4.6)	(3.5)
Unassigned.....		4.8	3.9	.1		
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

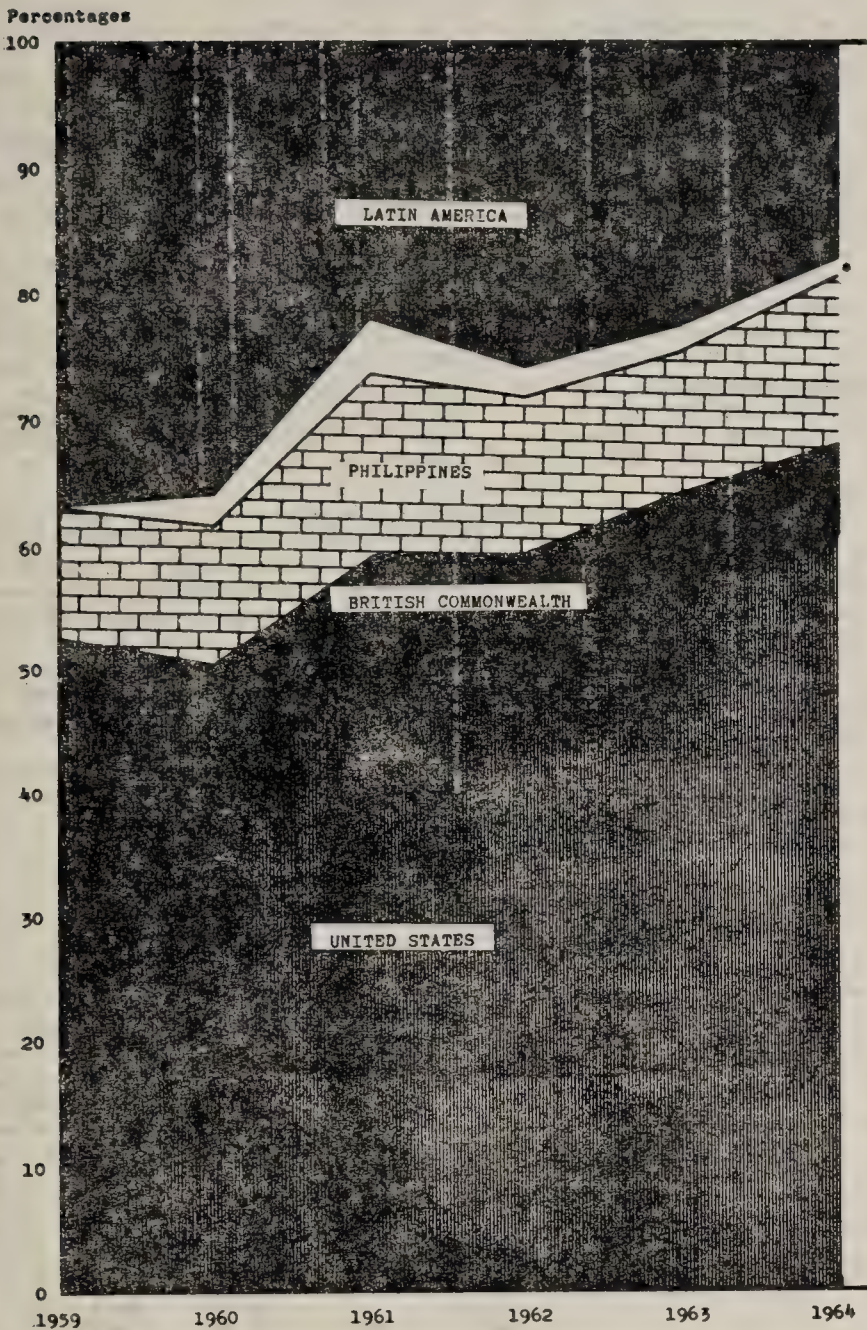
Sources: 1959-62, U.S. Department of Agriculture, "Sugar Reports" (October 1963), p. 30; 1963, *ibid.*, No. 145 (June 1964), p. 16; 1964, *ibid.*, No. 152 (January 1965), p. 13.



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Chart 3

UNITED STATES: Percentage Distribution of all Sugar for Domestic Consumption, of National and Foreign Origin, 1959-1964



*METROPOLITAN FRANCE, FRENCH OVERSEAS DEPARTMENTS AND TERRITORIES

SOURCE: United States Department of Agriculture, SUGAR REPORT, various issues.

This situation points up once more the importance of regulating the international sugar market. Latin America is aware of this need and so stated formally at the meeting of the sugar authorities of the member states of the OAS held recently in Washington. However, until such time as a world agreement is concluded, Latin America will continue to depend basically on the U.S. market. This is shown in table 4, which lists the 1963 Latin American sugar exports by destination.

The year 1963 has been selected chiefly because it was a critical year from the standpoint of supplies and because that year world market prices were substantially higher than those on the U.S. market (see also chart 4).

Table 4 also brings out the following highly important fact: The United States absorbed 100 percent of the sugar exports of seven Latin American countries; between 90 and 99 percent of three; between 80 and 89 percent of three others; 58 percent of one; and 24 percent of another. Taking the region as a whole, the United States absorbed 81 percent of the region's sugar exports. With slight alterations up or down, the overall proportion has remained much the same in the other recent years.

This brings us to another fact of particular importance, but this time to the United States. When the world sugar market recently went through the serious supply crisis known to everyone, with high prices and a real shortage, Latin America maintained and even increased its shipments to the United States (1961, 2.2 million tons; 1962, 2.6 million tons; 1963, 2.4 million tons) despite the higher prices on the world market.

This is not an isolated fact in the course of the history of sugar trade between Latin America and the United States. Two relatively recent events, the 1950-51 Korean crisis and the 1956-57 Suez crisis, underline the importance of the foregoing.

But although Latin America maintained its supply level to the U.S. market during those critical periods, at the price of vigorous efforts and heavy investments to improve, and to some extent expand, its sugar industry, its opportunities for export to the United States were sharply reduced as soon as the world market became normal again, as evidenced by the drop in shipments to the United States in 1964 to 1.6 million tons.

Chart 4 shows just how significant the differences between world prices and prices on the U.S. market were during the crises mentioned. Chart 3 reveals the downward trend in Latin American exports to the United States, while the position of the other suppliers has improved substantially.

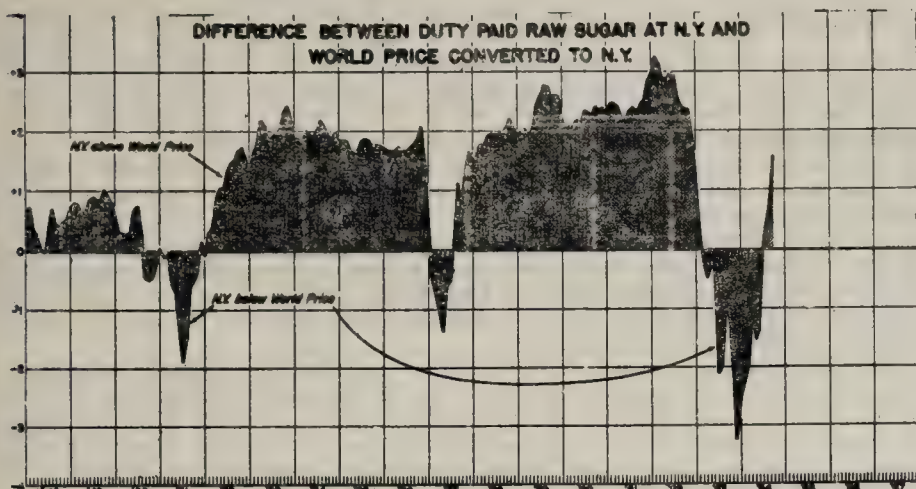
If this trend continues, Latin America will suffer a further loss in export income, which will mean that efforts to surpass present development levels will again be hampered. Moreover, the American consumer will find one of his most reliable sources of supply from the standpoint of both volume and price weakened.

TABLE 4.—*Latin America: Sugar exports to the United States of America and other countries, 1963*

[Metric tons and raw value]

Countries	United States	Other countries	Total	Percentages	
				United States	Other countries
Argentina.....	195,907	143,773	439,680	57.7	42.3
Brazil.....	417,683	68,987	486,670	85.8	14.2
Colombia.....	40,337	0	40,337	100.0	0
Costa Rica.....	34,099	0	34,099	100.0	0
Dominican Republic.....	526,581	107,092	633,673	83.1	16.9
Ecuador.....	51,248	0	51,248	100.0	0
El Salvador.....	17,207	497	17,704	97.2	2.8
Guatemala ¹	34,447	654	35,494	98.2	1.8
Haiti.....	36,680	0	36,680	100.0	0
Mexico.....	343,596	33,819	377,415	91.0	9.0
Nicaragua.....	34,732	0	34,732	100.0	0
Panama.....	10,399	26	10,425	99.8	.2
Peru.....	374,447	106,108	480,555	77.9	22.1
Paraguay.....	2,000	0	2,000	100.0	0
Venezuela.....	11,907	37,658	49,565	24.0	76.0
Total exported.....	2,131,664	498,614	2,630,278	81.0	19.0

¹ These figures are for 1962.

Chart 4

Source: USDA Sugar Report No. 149.

IV. APPLICATION OF THE IMPORT FEE TO SUGAR IMPORTS

This statement's preceding sections have shown the weaknesses of U.S. sugar trade policy in relation to the principles of the Charter of Punta del Este and have stressed the urgent need to alter this situation. They have also stressed the growing difficulties Latin American sugar trade has encountered in its exports to the United States, especially from the quantitative standpoint.

However, this is not the only difficulty Latin America has encountered in this market. Application of the import fee on sugar in the United States has meant an appreciable drop in Latin American export income, and the possibility that it may be reestablished in the new sugar law is cause for concern to the Latin American governments.

It is a source of great encouragement to us that the President of the United States, on the occasion of the fourth anniversary of the Alliance for Progress yesterday has announced that he will propose to the U.S. Congress the elimination of the fee.

As we understand it, the import fee was created as an economic sanction against a political situation that was incompatible with the democratic principles of government upheld by the nations of the hemisphere. When that situation came to an end, the Government of the United States not only stopped charging the import fee, but refunded to the penalized exporting country that part of the total sugar price that it had not received.

In 1962, the U.S. Congress amended the 1948 Sugar Act so that all sugar imports replacing quotas that were unused owing to a break in diplomatic relations would be subject to an additional fee that would absorb the difference between this country's market price and the sugar price on the "free" world market. Thus, when the top rate of this import fee was applied, the U.S. Treasury would receive revenue approximately equal to the "premium" that foreign countries would receive from sugar sales to the United States with respect to what they would receive from their sales to the "free" world market. This fee was not applied to sugar imports from the Republic of the Philippines.

This fee was later converted into a general economic measure (except for the Philippines) and remained in force in that form from July 16, 1962, until January 23, 1963, and from August 13, 1964, until December 31, 1964, and prevented the Latin American countries from receiving the difference between the U.S. market prices and the world price that they were receiving formerly.

(a) Injury to the economy of the Latin American sugar industry

One of the arguments used by those advocating the reestablishment of the import fee on sugar is that it is necessary to give sugar exporters to the United States a profitable price, but one that does not encourage marginal production.

To that end, it is argued, it is necessary to absorb to some extent the difference between the prevailing prices on the U.S. market—which is considered high for foreign producers—and those on the “free” world market.

As will be seen below, this argument lacks validity from a strictly objective point of view. As a matter of fact, what is considered the “free” world market price for sugar is far from being representative of the production costs, much less of what could result from the free play of supply and demand. First of all, this market has the characteristics of a true residual market on which is dumped all surplus remaining after the preferential markets,¹ to which Latin America—as has already been stated—does not have access, have been supplied. Since this is the case, those producing countries that have preferential markets produce a surplus so that they may be certain that they will be able to fill their quotas in those markets, and they dump on the “free” market any surplus after the required stocks have been established. Since higher prices prevail on the preferential markets, sales on the “free” market are made at prices that are not always consistent with production costs and are often for the sole purpose of mobilizing excessive stocks.

In contrast, Latin America does not have preferential markets in other continents and therefore must make its export price policy subject to the “free” world market in conformity with the conditions imposed on it by its competitors. This, we repeat, points up the importance of the U.S. market for Latin American sugar and shows how these exports are penalized as a result of the application of the import fee.

The fact that the prices on the “free” world market are not representative of production costs is demonstrated by the following example:

While prices on the free world market have been fluctuating around 1.85 cents a pound (raw value), the production and marketing approximate costs of the principal Latin American supplier of the United States (and also one of the most efficient producers) range between 4.85 and 5 cents at the sugar mill and between 5.10 and 5.25 cents a pound f.o.b. port of embarkation. If freight, insurance, loading, and handling charges, and the cost of placing that sugar on the American market are computed, only about one-half cent a pound remains to be applied to profits and to cover other expenses.

Therefore, any additional consideration that could be given to the consequences of the application of the import fee and to its adverse effects on the Latin American economy is unnecessary. In other words, the prevailing prices for foreign sugars on the U.S. market, after the usual import duties and current charges have been figured, cover the average production costs of the sugar obtained from Latin American sugar suppliers.

(b) *The import fee on sugar and the General Agreement on Tariffs and Trade (GATT)*

At the meeting of the sugar authorities of the member states of the OAS, which includes the United States, held a few months ago in Washington, this point was discussed at length and the following conclusion was reached:

“The aim of increasing the domestic sugar quotas in the U.S. market is contrary to article XI of the General Agreement on Tariffs and Trade (GATT), according to which quantitative restrictions of importation are permitted only in certain given cases and always with the understanding that the restrictions that are imposed by virtue of that article should not ‘be such as will reduce the total imports relative to the total of domestic production as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions.’”

“An import charge in addition to the existing duties and charges on the importation of sugar such as the so-called import fee would constitute a violation not only of article II, paragraph 1.a of the General Agreement on Tariffs and Trade, because it would constitute an increase in those duties and charges above those that were agreed upon in the lists of reciprocal concessions of the contracting parties, but also of article I:4a of the said general agreement because it would constitute a prohibited increase in the ‘preferential margin’ between the tariff applicable to the Republic of the Philippines and that applicable to the contracting parties that enjoy most-favored-nation treatment;

¹ Approximately 70 percent of net world sugar imports are covered by special agreements, such as: the one between the United Kingdom and its suppliers in the Commonwealth and the Republic of South Africa; the one between the Soviet bloc and Cuba; the one between the United States and the Philippines; and the one between Japan and the Republic of South Africa.

"An additional charge on importation of sugar in the United States would be in contradiction to the obligations assumed by the contracting parties in article XXXVII.b and XXXVII.c of the General Agreement on Tariffs and Trade to abstain from introducing or increasing the incidence of tariffs or nontariff barriers on products that may be presently or potentially of particular interest to the less-developed contracting parties."

V. THE IMPORTANCE OF LATIN AMERICA AS A CUSTOMER OF THE UNITED STATES

One of the conditions established by prevailing U.S. sugar legislation on the distribution of import quotas to foreign countries is that they must be importers of agricultural products from the United States. There is no need to dwell on Latin America's importance to the United States as a purchaser of these products.

It is important, however, to stress Latin America's position as a buyer of goods in the United States—agricultural as well as consumer and capital goods—in relation to the position of the other sugar suppliers of the U.S. market. Chart 5 is highly illuminating on this point. As a matter of fact, in 1964, the Latin American countries purchased agricultural and industrial products from the United States having a total value of \$3,713 million, or 17.9 percent of all U.S. exports. In contrast, the purchases by the developing countries in the British Commonwealth totaled \$1,180 million or 5.7 percent of the total; Australia and the Republic of South Africa, \$626 million, or 3 percent, and \$392 million, or 1.9 percent, respectively; and the Philippines, \$356,500,000, that is to say, 1.7 percent. The other countries of some significance in supplying sugar to the United States bought much smaller amounts.

The present world trade situation being what it is, Latin America's principal source of foreign exchange is its sales of raw materials to the United States, and among these products sugar holds a place of special importance.

As has already been stated, the Latin American economic development process requires a substantial increase in imports of goods and services. In the studies conducted by the CIAP, whose conclusions were submitted to the third annual meeting of the IA-Ecosoc (Lima 1964), it was concluded that Latin American requirements for imported goods in 1966 will be 25 percent greater than the annual average between 1960 and 1963 if the anticipated growth rate proves to be correct.

TABLE 5.—*Latin American imports of goods*

[In millions of U.S. dollars]

Year:		Year:	
1960-----	\$7, 466	1964 ¹ -----	\$8, 165
1961-----	7, 730	1965 ² -----	9, 026
1962-----	7, 766	1966 ² -----	9, 616
1963-----	7, 596		

¹ Estimated.

² Projected.

Source: Document IA-Ecosoc/621, p. 82.

Of the total estimated value for 1966, imports of capital goods will represent approximately 45 percent. To all that should be added the large sums the services required will represent.

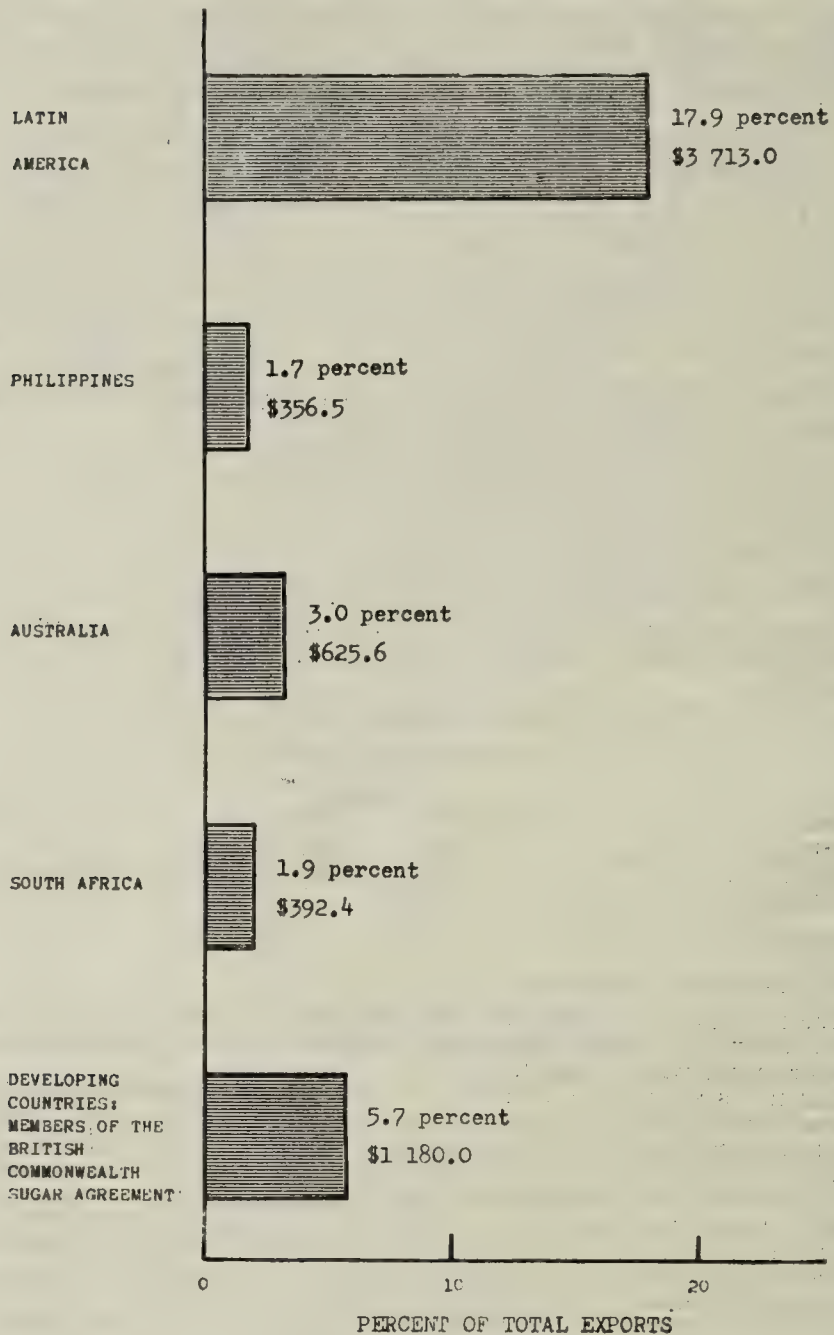
Owing to its geographic situation, its economic and financial potential, the resources derived from its industrial and technological development, and lastly, owing to its large-scale profitable activity in the markets of the Latin American countries, the United States is a major supplier of the goods and services that will be required for Latin American economic development. However, if the demand for such goods and services is to expand as anticipated, Latin America will have to overcome its present financial difficulties. It is clear that only an increase in export receipts can soundly insure the financing of the economic development process. There has been substantial experience in financial aid, in the form of grants as well as loans and, in each case, after the initial impact has passed, the same phenomena of stagnation that existed before the aid was received reappear. This explains clearly the importance of foreign trade to the growth of the less developed countries and the inability of the various types of foreign aid thus far employed to achieve this purpose.

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Chart 5

UNITED STATES EXPORTS TO SUGAR QUOTA COUNTRIES, 1964

(In millions of dollars and percent of total exports)



Source: U.S. Department of Commerce.

U.S. participation in Latin America's total imports has been maintained in recent years at more than 40 percent. However, it is foreseeable that such participation may increase substantially with the strengthening of the Latin American economy as a result of the efforts being made to accelerate the rate of development in line with the goals established in the Charter of Punta del Este. This means that, in both relative and absolute terms, there is an immediate possibility that U.S. exports to Latin America will increase rapidly. There is a potential customer with an enormous unsatisfied demand for goods and services, to which should be added the future results of implementing the development plans given the impetus by the Alliance.

VI. CONCLUSIONS

In debate on the legislation that is to govern the future of sugar production and marketing in the United States, the Congress is confronting a situation of great importance to inter-American relations.

Now that the International Coffee Agreement has been put into operation—an agreement of such great importance to most Latin American countries—the sugar law that is now going to be enacted is a great opportunity for the United States to take action consistent with the trade policy commitments it has assumed under the Alliance of Progress. Further, it can be affirmed that such action constitutes a challenge of the U.S. Congress and the administration to follow the guidelines established on this matter by the Charter of Punta del Este, which include both the policy governing direct trade relations with the countries of the region and matters concerned with the world market for basic commodities of special interest to Latin America.

It should be pointed out that in this instance the United States could act in accordance with the spirit of the Alliance without making additional sacrifices. In fact, this could practically be achieved merely by accepting in the new law the traditional situation with respect to total volumes and prices of sugar imports in the United States, without affecting the normal production levels and the position of the U.S. international balance-of-payments situation. It is rather a matter of preventing perpetuation in the new law of measures and situations that grew out of abnormal, sporadic circumstances. This is true of the recent production expansion following the lifting in 1960 of the traditional restrictions on the amount of land planted to sugarcane and sugarbeets, a measure that had been adopted to check the acute, but temporary sugar shortage in the world market. This is also the case of the introduction of the import fees.

In addition, it should be pointed out that such a course of action, far from implying an additional cost to the U.S. economy, could result in a lower total cost since within the principles on which the Alliance for Progress is based, a narrowing or widening of the Latin American trade gap will tend to be accompanied by a change in the same directions in the financial assistance provided by the United States to the region. There is no doubt that the most unsatisfactory solution for both Latin America and the U.S. taxpayer is that of replacing trade with financial assistance.

With the exception of two or three, all the countries of the area have as a special obstacle to their economic development, a lack of international buying power for industrialization and for their current imports. Thus, no factor exercises greater influence on Latin American development and on the accomplishment of the goals of the Charter of Punta del Este than an increase in exports, and sugar is one of the important international trade commodities of many Latin American countries.

A list of the various elements that give the sugar problem this extraordinary significance and make it a true test case would include the following:

1. First of all, as has been shown in the preceding sections, sugar is highly important to Latin America as an existing and potential source of employment, as a factor in the people's welfare, and as a source of exchange receipts. This is a product for which Latin America has exceptionally favorable natural conditions which would enable it to expand production substantially if it had greater access to foreign markets.

2. The crisis through which the world sugar market is passing is the most serious since the thirties, and the so-called free world market is suffering from marked disorganization. This has led to sharp drops in sugar prices. If there is a basic commodity of interest to Latin America that is in a need of a rescue operation at this time, it is sugar. Few possibilities can

be foreseen in the immediate future for an efficient organization of the world market, which is a residual market, so long as Cuba, the countries of the EEC, the Soviet bloc, Australia, the United States, and others follow policies of production expansion.

3. Moreover, the sugar situation has become a source of political and social unrest in several countries in the area.

4. This once more reveals the undeniable fact that the U.S. market is the best alternative, in the foreseeable future, for the continuation and expansion of the total value of Latin American sugar exports, which has, in recent years, directed its sales more and more toward that market.

5. Nevertheless, the policy being proposed in the pending bills is essentially aimed at increasing domestic production and reducing the volume and prices of imports. Thus every ton of sugar produced in the United States and subtracted from the volume of Latin American exports adds to unemployment and reduces Latin America's capacity to import goods and services from the United States. Moreover, a policy to discourage more costly types of production and expand the volume of hemisphere trade would benefit both the American and the Latin American consumer.

6. The United States has its sugar market organized in such way that the administration has in its possession all the essential elements for raising the level of imports, maintaining prices, and giving special treatment to Latin America. It can do all this without affecting the traditional levels of its domestic production and without failing to comply with other international commitments, thereby benefiting the domestic consumer by assuring him of permanent supplies in adequate amounts and at suitable prices, and establishing bases for cooperation with Latin America dependent more on expansion of its reciprocal trade and less on an increase in financial assistance.

7. The proposed reduction in the price of imports in the United States would have very little effect on improving the balance of payments, which moreover, has already markedly improved in 1965, and it could be a critical margin for the Latin American producers owing to the area's existing sugar production costs, and estimated production volumes.

8. It is obvious that if the United States were to assume an attitude revealing the intention to strengthen economic, and especially, trade cooperation within the Alliance, this could have a salutary effect.

With the principles of the Charter of Punta del Este in mind, and fully aware of the fact that the Congress and executive branch of the U.S. Government are earnestly endeavoring to find a satisfactory solution to the sugar problem within the framework of legislation that will conform to the spirit of the Alliance for Progress, the Latin American countries that participated in the meeting of sugar authorities of the member countries of the OAS (Washington, April 1965), unanimously agreed on the following principles of sugar policy with respect to access to the U.S. market:

"a. That it is necessary to assure a stable sugar market in the United States of America, compatible with the long-term planning of the Latin American sugar industry as a factor to stimulate the economic growth of the Latin American producing countries, until such time as an arrangement is established on the world level that will assure those countries the opportunity to place their output under conditions favorable to their development;

"b. That it is necessary to increase the present total imports of sugar on the part of the United States of America in the same proportion as its consumption increases, in order to avoid the depressing effects on the international market that would be caused by sugar displaced from the U.S. market;

"c. That in the distribution of the sugar import quotas by the United States of America special treatment be given to the Latin American countries that are members of the OAS, which as is well known, do not participate in other preferential markets, within a policy that would allow Latin America as a whole to recover a supply participation equivalent to at least 90 percent of the imports of the United States of America coming from foreign countries other than the Republic of the Philippines;

"d. That import fees not be introduced."

The aspirations of the Latin American countries in connection with the problem with which we are now concerned are reasonable and are in conformity with the principles of inter-American solidarity. They are motivated by the aim of making maximum possible use of available resources and the domestic effort needed to carry out the great project constituted by the economic and social

development of their peoples, to which they pledged themselves when they signed the Charter of Punta del Este.

(The following statements and letters were also submitted to the committee:)

STATEMENT BY EDWARD A. McCABE ON H.R. 10496 ON BEHALF OF THE COMISION NACIONAL PARA EL ESTUDIO DE LA CAÑA Y EL AZUCAR, THE ASSOCIATION OF SUGAR PRODUCERS IN BOLIVIA

My name is Edward A. McCabe, and I am a partner in the law firm of Hamel, Morgan, Park & Saunders, 888 17th Street NW., Washington, D.C. We appear on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar, the association of sugar producers in Bolivia. We have filed the required registration statements on behalf of our clients with the Congress and with the Department of Justice.

Bolivia requests a quota assignment of 10,000 tons of sugar under the provisions of H.R. 10496. This would be a new quota, since Bolivia, a newcomer to the export field, is not now included in the act.

In the current year Bolivia will have an exportable sugar surplus of approximately 25,000 tons. She has the capacity to produce and ship immediately. Not only will she be able to fill the modest quota asked for here, but she also pledges to the United States any additional sugar she may have in the future for which the United States may have a need.

Until 5 or 6 years ago, there was no sizable quantity of sugar produced in Bolivia. Since that time, however, the industry has grown to a point where sugar is Bolivia's most significant agricultural crop and the third largest Bolivian industry. Total annual production is currently running about 93,000 tons.

The sugar industry in Bolivia is at least 75 percent privately owned and operated. While about 25 percent is presently under Government operation, it is the stated policy of the Bolivian Government to move actively toward private ownership and operation at the earliest possible time.

Sugar producing in Bolivia is centered in the Santa Cruz area. The economy of this region is heavily related to sugar, and upward of 50,000 people there are dependent on this industry. It should also be pointed out that in the Santa Cruz area in the past few years the United States (through AID programs) has invested nearly \$100 million in a variety of improvements, including road construction. A major target of our AID program in Bolivia has been the encouragement of Bolivia's sugar industry.

The Santa Cruz region is a vast area which offers great promise for rich agricultural development. With a thriving sugar industry the nucleus of further development, the economy of the country as a whole will prosper as the sugar industry grows and prospers in Santa Cruz.

It is also important in assessing this industry's significance to Bolivia to note that the great bulk of sugarcane production is in the hands of small growers. These number approximately 20,000. They are individual entrepreneurs, each producing sugarcane on his own land. Most of them are family operations, much in the fashion of what the United States has long known as the small family farm. These small growers are presently responsible for about 75 percent of Bolivia's cane production. It is the policy of the Bolivian Government that, as additional small growers produce cane, they will receive the remaining share of the country's sugarcane market. The end result of this policy will see all Bolivian cane production in the hands of these individual growers, with no large monopoly type holdings possible. Hence, it would seem clear that in Bolivia's sugar industry the small farmer can advance and prosper by his own initiative and enterprise.

Bolivia is today a sizable importer of a great variety of U.S. commodities. Bolivia requires that all State industries (oil, mining, etc.) import their basic commodity requirements from the United States. The United States is thus the source of approximately 80 percent of all Bolivia's imports. In agricultural commodities, Bolivia's current importation from the United States runs to about \$15 million annually. A major part of these imports is in cotton, wheat, and flour. And we want to emphasize here that while Bolivia is one of the less populated nations in Latin America, her agricultural imports from the United States exceed those of more than half the other nations. Furthermore, she imports more U.S. agricultural commodities than do many of her sister Latin American nations who already have been granted sugar quotas.

As the capacity of Bolivia's sugar industry grows, she also faces the pressing necessity of finding markets. To this end—in addition to this request for a modest 10,000-ton quota from the United States—there is now actively underway an intensive promotion campaign to encourage greater use of sugar in Bolivia itself. Characteristically, many in Bolivia have never included sugar in their diets at all. It is expected that aggressive promotion and advertising campaigns will remedy much of this in time. But admittedly the process will be a slow one. Accordingly, in the foreseeable future this industry, upon which so much of Bolivia's economy depends, must look to foreign markets.

As a staunch friend of the United States, Bolivia looks hopefully to us for a small share in our market. Considering her present exportable sugar surplus, she requests a quota allotment of only 10,000 tons. As pointed out above, there exists in Bolivia the capacity to ship this sugar immediately.

We feel that favorable consideration of this request will benefit the U.S. consumer by introducing into the U.S. market a friendly and dependable source of supply. Further, it would seem to be in the interest of the United States to grant this quota because, since so much of Bolivia depends upon sugar, favorable consideration by the United States must certainly foster a closer relationship between the United States and the people of Bolivia.

In recent international difficulties, Bolivia has stood staunchly with the United States in support of our efforts to secure peace and order in the world. This has been particularly notable in the United Nations Security Council and in the Organization of American States. It was especially marked during the Dominican crisis earlier this year. On problems involving Cuba she stands firmly with the United States.

In citing these actions by Bolivia, we do not suggest that of themselves they warrant for her any preferential treatment under the Sugar Act. These actions were taken by Bolivia in her sovereign capacity in the firm belief that they were proper actions in the circumstances; that they were in the best interests of Bolivia, of Western Hemisphere unity, and in the interest of a peaceful world. They were not taken, and they are not now cited, in the nature of a plea for special treatment in the form of a sugar quota. Bolivia will continue to take her stand with the United States because she knows that the causes we jointly espouse are in the best interests not alone of our own nations but of all mankind. We believe, however, that a course of national conduct is an important item for congressional assessment in considering legislation of such international significance as the measure now before your committee.

We are convinced that favorable consideration of Bolivia's request will benefit the American sugar consumer. We know that it will benefit the Bolivian sugar industry. In emphasizing the close and sympathetic ties which exist between our two Governments, we feel that it will also contribute to better mutual understanding and a more effective working relationship between the peoples of both countries.

We are grateful for the opportunity to present this request to your committee on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar of Bolivia. We trust that it will be favorably considered, and that your committee and the Congress will approve Bolivia's request for a 10,000-ton quota assignment.

STATEMENT OF JOHN F. P. CLARK, CHAIRMAN OF HAYTIAN AMERICAN SUGAR Co., S.A.

My name is John F. P. Clark. I am chairman of the Haytian American Sugar Co., S.A., and I speak not only for HASCO, which operates the largest sugar enterprise in the country, but also for the sugar industry of Haiti as a whole. My purpose here is to bring to your attention the thinking of the sugar industry of Haiti regarding the proposed legislation.

It is our opinion that, as in the past, the United States should look to the sugar-producing nations of the Western Hemisphere for its import requirements, and that in determining quotas to be allocated to the various countries, adequate weight should be given to the economic needs of these countries.

Haiti is by far the poorest nation in the hemisphere with a per capita annual income of approximately \$70. To support a population of about 4.5 million there are practically no natural resources of consequence apart from agriculture. In order to continue to buy manufactured products, machinery,

automobiles, oil, medicines, etc., from the United States, it is apparent that she must earn dollars to pay for them. In addition to the above, Haiti purchases annually about 70,000 tons of U.S. wheat which, for its size, compares favorably with other countries in the Western Hemisphere.

As an illustration of Haiti's balance-of-payments problems, imports from the United States during the fiscal year ended September 30, 1964, the last year for which statistics are available, amounted to \$24,515,622, while during the same period exports to the United States totaled only \$15,157,795, resulting in a deficit of \$9,357,827.

However, under the terms of the Sugar Act, as amended in 1962 (based on 9,200,000 tons consumption), Haiti's quota under the formula was 0.71 percent of the total import requirements, or 20,216 short tons. However, under the provisions of House bill 10496 Haiti's quota is only 0.35 percent, which would amount to 18,731 tons based on a predicted annual requirement of 9,700,000 tons consumption. While the expected consumption is up over 5 percent, Haiti's quota instead of being increased as it ought to be is to be reduced by about 10 percent. Thus the formula under the proposed legislation severely penalizes Haiti. This penalty which is sustained not only by Haiti but other hemispheric producers apparently is to the advantage of non-hemispheric producers as far distant as Swaziland and the Fiji Islands.

THE FRANCISCO SUGAR CO.,
New York, N.Y., August 24, 1965.

HON. HAROLD D. COOLEY.

*Chairman of the Committee on Agriculture, House of Representatives,
Washington, D.C.*

DEAR CHAIRMAN COOLEY: The Francisco Sugar Co. has a vital interest in the sugar quota that may be assigned to Cuba in the amendments to the Sugar Act at present under consideration by your committee.

This corporation was organized under the laws of the State of New Jersey and for a period of over 60 years operated two sugar mills, "Francisco" and "Elia," and other properties in Cuba until their confiscation by the Castro regime in August 1960, giving employment to some 10,148 people including seasonal labor.

At the proper time, the company protested the illegal seizure of the properties, and a claim was filed with the State Department in the amount of \$56,840,557.15, which in the judgment of the company was the fair value of the properties at the time of the confiscation. This claim has been transferred by the State Department to the U.S. Foreign Claims Commission.

At the time of confiscation, there were about 761 registered stockholders of the company, of which there were 749 resident in the United States.

This company, Mr. Chairman, wishes to express to you and your committee that to maintain a sugar quota for Cuba—as large as is compatible with U.S. national interest and the market's realities, resulting from the changes in the world sugar pattern as a consequence of Cuba falling under Russia's domination—is vital to the reconstruction of Cuba when it becomes once again a free and democratic country.

To rebuild a new Cuba politically free, economically self-sufficient, socially stable and progressive, is a gigantic task. Competent economists consider that in the course of time as much as \$4 billion may be needed to accomplish the undertaking. One of the essential elements for the reconstruction of a new Cuba would be sugar exports. Aid or loans, without trade, could not achieve the task.

This company believes that a country so friendly and as loyal to the United States in the past, and when liberated so important to our country in the future, deserves all the necessary assistance from the United States once it is free. We are confident that the executive branch of Government and the Congress of the United States are prepared to give such assistance.

From the standpoint of the interests of this company, it is difficult to see any other way to be indemnified, at least in part, for the damage inflicted by Castro's confiscation, than the restoration of its properties by a free Cuban Government. The magnitude of the losses suffered by American and other investors in Cuba, is such that it would be impossible for any Cuban democratic government to pay the company adequate, effective, and prompt compensation, the restoration of the properties is the only practical and feasible means of redress to the owners.

But restoration of its properties to the company would be meaningless unless an adequate sugar quota is assigned to Cuba in the legislation under consideration in order that mills may be able to operate efficiently to the benefit of Cuban labor and the country with reasonable earnings to the owners.

We understand that similar views as the ones contained in this letter are to be presented by other companies.

Mr. Chairman, we plead that you and your committee, give favorable consideration to this letter.

Respectfully yours,

JACOB S. LEVENE, *Vice President.*

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA,
Miami Beach, Fla., August 23, 1965.

HON. HAROLD D. COOLEY,
*Chairman of the Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR CHAIRMAN COOLEY: We understand that the Committee on Agriculture is considering allotting sugar quotas to various countries in connection with the enactment of the new sugar law and that these quotas may extend through 1971.

Our company, Vertientes-Camaguey Sugar Co. of Cuba, was deprived of assets amounting to more than \$93 million, and its claim for such confiscation has been filed with the State Department of the United States. During the company's existence in Cuba it operated 3 large sugar mills and employed over 10,000 workers. Although it was formally organized under the laws of the Republic of Cuba, more than 5,000 of its stockholders are American nationals. These constitute over 90 percent of the total number of all of its stockholders and over 90 percent of the total corporate stock. Thus, for all purposes our company was regarded by the Castro government as an American corporation. It is presently registered to do business in the State of Florida.

Before the advent of Castro, Cuba had always been friendly and loyal to the United States, and we feel that a free Cuba deserves assistance from the United States. We are sure that you recognize that sugar has always been one of the bulwarks of the Cuban economy, and that assistance in this field will be necessary toward making Cuba ultimately self-sufficient.

We hopefully are looking forward to the day when Cuba will be free from the tyranny of communism. This may occur within the next few years, or even may occur very shortly.

Therefore, we respectfully suggest that a sufficiently large sugar quota compatible with its reconstruction and growth be reserved for Cuba to assist her on the road to recovery in the event of its restoration to a democratic government.

We would appreciate it if you and your committee would give careful consideration to this letter.

Respectfully yours,

PHILIP ROSENBERG, *President.*

MANATÍ SUGAR CO.,
New York, N.Y., August 24, 1965.

HON. HAROLD D. COOLEY,
*Chairman of the Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR CHAIRMAN COOLEY: The Manatí Sugar Co. has a vital interest in the sugar quota that may be assigned to Cuba in the amendments to the Sugar Act at present under consideration by your committee.

This corporation was organized under the laws of New York State, and for a period of over 48 years, operated the Manatí sugar mill and other properties in Cuba until their confiscation by the Castro regime in August 1960, giving employment to some 8,800 people including seasonal labor.

At the proper time, the company protested the illegal seizure of the properties, and a claim was filed with the State Department in the amount of \$51,711,717.06, which in the judgment of the company was the fair value of the properties at

the time of the confiscation. This claim has been transferred by the State Department to the U.S. Foreign Claims Commission.

At the time of confiscation, there were about 1,200 registered stockholders of the company, of which there were 1,169 resident in the United States.

This company, Mr. Chairman, wishes to express to you and your committee that to maintain a sugar quota for Cuba—as large as it is compatible with the U.S. national interest and the market's realities, resulting from the changes in the world sugar pattern as a consequence of Cuba falling under Russia's domination—is vital to the reconstruction of Cuba when it becomes once more a free and democratic country.

To rebuild a new Cuba politically free, economically self-sufficient, socially stable and progressive, is a gigantic task. Competent economists consider that in the course of time, as much as \$4 billion may be needed to accomplish the undertaking. Sugar exports is one of the essential elements for the reconstruction of a new Cuba. Aid or loans, without trade, could not achieve the task.

This company believes that a country so friendly and as loyal to the United States in the past, and when liberated so important to our country in the future, deserves all the necessary assistance from the United States once it is free. We are confident that the executive branch of the Government and the Congress of the United States are prepared to give such assistance.

From the standpoint of the interests of this company, it is difficult to see any other way to be indemnified, at least in part, for the damage inflicted by Castro's confiscation, than the restoration of its properties by a free Cuban government. The magnitude of the losses suffered by American and other investors in Cuba, is such that it would be impossible for any Cuban democratic government to pay the company adequate, effective, and prompt compensation. The restoration of the properties is the only practical and feasible means of redress to the owners.

But restoration of its properties to the company would be meaningless, unless an adequate sugar quota is assigned to Cuba in the legislation under consideration in order that mills may be able to operate efficiently to the benefit of Cuban labor and the country with reasonable earnings to the owners.

We understand that similar views as the ones contained in this letter are to be presented by other companies.

Mr. Chairman, we plead that you and your committee, give favorable consideration to this letter.

Respectfully yours,

THE FRANCISCO SUGAR CO.,
JACOB S. LEVENE, *Vice President.*

Mrs. MAY. I ask unanimous consent that I may submit for the record a statement following the testimony presented last Friday by Mr. Oscar Chapman, representing the Mexican sugar industry.

The CHAIRMAN. Without objection, it may be inserted into the record at that point.

This is the last witness who has indicated a desire to be heard. If someone is present and wants to be heard, we should like to have them speak up. We want everybody to have an opportunity to be heard, to express their views fully to this committee.

If there are no other persons who want to appear, the committee will stand adjourned subject to the call of the Chair.

Thank you.

(Whereupon, at 1:05 p.m., the committee was in recess, to reconvene subject to the call of the Chair.)

89-331

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HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 11135 and S. 2567

TO AMEND AND EXTEND THE PROVISIONS OF THE SUGAR ACT
OF 1948, AS AMENDED

OCTOBER 14 AND 15, 1965

Printed for the use of the Committee on Finance



U.S. GOVERNMENT PRINTING OFFICE

54-719 O

WASHINGTON : 1965

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SUGAR

THURSDAY, OCTOBER 14, 1965

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (presiding), Long, Smathers, Douglas, Gore, Talmadge, McCarthy, Hartke, Fulbright, Williams, Carlson, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The hearing today is on the House-passed bill H.R. 11135 and administration recommendations contained in S. 2567 to amend and extend the provisions of the Sugar Act of 1948. I shall place in the record copies of the two bills, a section-by-section analysis of the administration recommendations, and a brief description of the principal changes made by the House Committee on Agriculture as well as a committee memorandum giving the pertinent data relating to the operations of the U.S. sugar program.

(The material referred to follows:)

[H.R. 11135, 89th Cong., 1st sess.]

AN ACT To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar.....	3, 025, 000
Mainland cane sugar.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	6, 390, 000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousands short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For the calendar year 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines, Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland and the Bahama Islands, among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere:

<i>"Country</i>	<i>Per centum</i>
Cuba.....	44. 25
Mexico.....	8. 41
Dominican Republic.....	8. 41
Brazil.....	8. 41
Peru.....	6. 71
British West Indies.....	3. 71
Ecuador.....	1. 24
French West Indies.....	1. 06
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Haiti.....	. 71
Panama.....	. 62
Argentina.....	. 53
British Honduras.....	. 49
Bolivia.....	. 10
Honduras.....	. 10

“(B) For countries outside the Western Hemisphere :

<i>“Country</i>	<i>Per centum</i>
Australia.....	4.00
Republic of China.....	1.66
India.....	1.60
South Africa.....	.73
Fiji.....	.60
Thailand.....	.49
Mauritius.....	.35
Swaziland.....	.15
Southern Rhodesia.....	.15
Malagasy Republic.....	.15

“(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of ten thousand short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: *Provided*, That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled with sugar produced in such country.”

(4) Subsections (d), (e), and (f) are hereby amended and subsection (g) is added to read as follows:

“(d) Notwithstanding any other provision of this Act—

“(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

“(i) any quantity of quota withheld from Cuba at a determination up to and including the amount of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

“(ii) any quantity of quota withheld from Cuba at a determination in excess of the amount of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph (3) (A) of subsection (c) that are members of the Organization of American States on the basis of the percentages stated therein.

“(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (3) (A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

“(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term ‘quota’ as defined in this Act shall include a temporary quota established under this subsection.

“(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B): *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In

the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced as follows:

(A) the quota established under section 202(b), and the quotas established under sections 202(c) and 202(d) (1) for any country having a quota at the end of the preceding year of less than two hundred thousand short tons, raw value, shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of such quota for the preceding calendar year: *Provided*, That in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar; and

(B) the quota established under section 202(c) and section 202(d) (1) for any such country having a quota at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 130 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction under either subparagraphs (A) or (B) shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) the reduction in quota for any country having a quota established under section 202(c) and section 202(d) (1) at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be limited, if the quota for any such country on July 1 of the year in which such quota was not filled is less than 130 per centum of its quota for the preceding calendar year to the larger of (1) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of the quotas for the preceding year or (2) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than such quota on July 1.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection(d) (1) (B) of this section, and in the case of Cuba under subsection (d) (1) (A) of this section, diplomatic relations have been resumed by the United

States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c) (3) (A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries: *Provided*, That any deficit resulting from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: *And provided further*, That if any quota is restored to Cuba, the maximum per centum of 44.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under the foregoing provisions of this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c) (3) (B) or section 202(c) (4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (B) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined for any country listed in section 202(c) (3) (B), he shall allocate such unfilled amount to the countries so listed on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (B) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as

to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d) (4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended, (1) by inserting after the third sentence thereof the following two new sentences: "The Secretary is also authorized in making such allotments of a quota for the mainland cane sugar area for any calendar year after 1966 to take into consideration, in lieu or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation during each of the first two years of operation of a new sugarcane processing facility or mill that begins the production of sugar from sugarcane for the first time after the calendar year 1966. The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any non-affiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of a processor of sugarcane, other than a processor-refiner, who had a physical inventory of sugar on January 1, 1964, equal to 55 per centum or more of his 1963 crop production may be increased by an additional six thousand two hundred short tons of sugar, raw value: *Provided, further*, That the total increases in marketing allotments made to processors in the domestic beet sugar and mainland cane sugar areas pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each such area for each calendar year."; and (2) by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attain-

ment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, and Panama may be filled by direct-consumption sugar to the extent of ten thousand short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama."

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar" and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b) (1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protect the interest of new and small producers by regulations generally similar to those heretofore promulgated

by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (3) of subsection (b) is amended by inserting "(A)" after the figure (3) and by adding at the end of paragraph (3) the following subparagraph (B):

"(B) In order to make available acreage for the growth and expansion of the mainland cane industry by a new sugarcane processing facility, the Secretary is authorized to reserve each crop year for three consecutive crop years an amount of acreage estimated to yield twenty-five thousand short tons of sugar, raw value, from the acreage which would be allocated to sugarcane producers in the mainland cane sugar area for each of three consecutive crop years beginning not earlier than the year immediately following the first calendar year after 1965 for which the Secretary's determination of requirements of consumers pursuant to section 201 exceeds ten million four hundred thousand short tons, raw value: *Provided*, That the quantity allocated to the mainland cane sugar area for such calendar year pursuant to section 202(a)(2)(A) is not less than twenty-five thousand short tons of sugar, raw value. The acreage so reserved for each of the three consecutive crop years shall be distributed for each such crop year on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocation for establishing farm proportionate shares determined by him, on the condition that the sugarcane produced on such farms shall be delivered for each of such three consecutive crop years to the new processing facility in the locality to which reserve acreage is committed as hereafter provided. The Secretary shall commit the reserve acreage estimated by him to yield twenty-five thousand short tons of sugar, raw value, for each of the three consecutive crop years to the locality determined by him to receive the reserve, and such commitment of reserve shall be irrevocable upon issuance of the determination of such commitment by publication in the Federal Register; except that if the Secretary finds in any case that construction of the sugarcane processing facility has not proceeded in substantial accordance with the representations made to him as a basis for his determination of commitment of the reserve acreage, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In any State in the continental United States where there was no mill for commercially processing sugarcane into sugar in 1965, commitment of reserve acreage shall be made to the locality where sugarcane will be delivered from farms for the commercial recovery of sugar by a sugarcane processing facility or mill which begins operation for the first time. In determining commitment of the reserve acreage and if proposals are made to construct sugarcane processing facilities in two or more localities where sugarcane production is scheduled to commence in the same year or succeeding years, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarcane, the lack of proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. The commitment of reserve acreage shall be determined by the Secretary after investigation, the publication of notice and such informal public hearings, if any, as the Secretary deems appropriate under the prevailing circumstances."

(4) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(5) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons,

raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than twenty-five thousand short tons of sugar, raw value, for each such crop to relieve hardship on the part of producers who planted sugarcane for the first time for harvest in the crop years 1964 and 1965 and in allocating such acreage the Secretary shall give consideration to the amount by which the acreage of sugarcane in 1965 exceeds the proportionate share for the 1965 crop: with first consideration in allocating such acreage to farms on which the 1965 crop proportionate share has been overplanted by more than 200 per centum in an amount sufficient to bring the proportionate shares of such farms up to the acreage growing: *Provided*, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965 crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph."

SEC. 11. (1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments until title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and re-established in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is amended to read as follows:

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to pro-

vide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act."

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 12. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 13. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966.

[S. 2567, 89th Cong., 1st sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less than the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(2) For individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere—

	<i>Per centum</i>
Cuba.....	57.77
Mexico.....	7.29
Dominican Republic.....	7.21
Peru.....	4.50
Brazil.....	4.14
British West Indies.....	2.28
Argentina.....	1.19
Ecuador.....	.93
Nicaragua.....	.76
Guatemala.....	.66
Costa Rica.....	.65
Colombia.....	.52
Haiti.....	.35
El Salvador.....	.32
Panama.....	.27
British Honduras.....	.08
Venezuela.....	.05

"(B) For countries outside the Western Hemisphere—

	<i>Per centum</i>
Australia.....	3.49
India.....	1.81
South Africa.....	1.81
China, Republic of.....	1.26
France, the French West Indies and Reunion.....	.95
Fiji Islands.....	.85
Mauritius.....	.28
Southern Rhodesia.....	.17
Swaziland.....	.17
Malagasy Republic.....	.14
Ireland.....	.04
Belgium.....	.03
Turkey.....	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the following:

<i>"Country</i>	<i>Short tons, raw value</i>
Australia.....	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa.....	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium.....	788"

(4) Subsections (d), (e), and (f) are hereby amended to read as follows:
 "(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: *Provided*, That in no event shall the quota established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the following:

<i>"Country</i>	<i>Short tons, raw value</i>
Australia-----	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2) (A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (2) (A) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect

to which a finding by the President is in effect under subsection (d) (1) (B) : *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country other than Ireland for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeding its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That this subsection shall not operate to reduce the

quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (2) (A) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (2) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (2) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) (2) (A) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d) (4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years

for which reliable data of the importation or bringing in of such product or mixture are available.

“(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

“(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act.”

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

“(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

“(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, Belgium, and Panama may be filled by direct-consumption sugar to the extent of two thousands three hundred and eleven short tons, raw value, for Ireland; one hundred and eighty-two short tons, raw value, for Belgium; and three thousand eight hundred and seventeen short tons, raw value, for Panama.”

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words “any sugar or liquid sugar” and inserting in lieu thereof the following: “any sugar or liquid sugar in excess of one hundred pounds in any calendar year”.

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

“(b) (1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane.”

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(4) Subsection (b) is amended by adding a new paragraph (8) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released."

SEC. 11. Title IV of the Sugar Act of 1948, as amended, is amended as follows:

(1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is repealed.

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 12. Section 4501 (b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 13. The provisions of this Act shall become effective January 1, 1965.

SECTION-BY-SECTION ANALYSIS OF ADMINISTRATION'S RECOMMENDATIONS

Section 2. Determination of consumer requirements by the Secretary

Requires that the determination of consumer requirements be made by the Secretary during the last 3 months in each year (rather than in December under the present law) for the succeeding year, and that he use as a basis for the determination the quantity of sugar distributed for consumption during the 12-month period ending September 30 (rather than October 31).

Section 3. Domestic quotas

The basic quotas for the domestic beet sugar area and the mainland cane sugar area would be 3,025,000 and 1,100,000 short tons, raw value, respectively, instead of 2,650,000 and 895,000 short tons, raw value under the present law. Such quotas for these areas would be increased by 65 percent of the amount consumption requirements are in excess of 10,400,000 short tons, and decreased by 65 percent of the amount consumption requirements are less than 9,700,000 short tons.

Foreign quotas

(1) *Republic of the Philippines.*—To the present quota of 1,050,000 short tons, raw value, there would be added 10.86 percent of the amount, not exceeding 700,000 short tons, raw value, by which the determination of consumption requirements for the United States exceeds 9,700,000 short tons, raw value. The purpose of the change is to permit the Philippines to share in the "growth" of consumption requirements.

(2) *Foreign countries other than the Philippines.*—Specified percentage allocations (based on importations in 1963 and 1964, with single weighting for 1963 and double weighting for 1964) are established for named countries subject to quantity limitations for Australia, Belgium, France, the French West Indies and Réunion, and South Africa; allocation also would be made on a similar basis to such named countries of the Cuban quota; and any other foreign country quota or part thereof suspended by the President would be allocated to Western Hemisphere countries. Provision is made for the Secretary to acquire limited quantities of sugar on a first-come, first-served basis from foreign countries if the Secretary determines such quantities cannot as a practical matter be obtained by allocation as quotas to quota countries. Provision is made for withholding the Cuban quota during the period of suspension of diplomatic relations, and for withholding the quota or any part thereof for any foreign country when the President determines such withholding to be in the national interest of the United States.

(3) *Imports of sugar into a foreign country in excess of exports therefrom.*—Prohibits establishing a quota for any foreign country except Ireland for the year following a 24-month period in which the quantity of sugar imported into such country equaled or exceeded exports to countries other than the United States.

(4) *Reduction in quotas for foreign countries.*—Reduces subsequent years' quotas for a foreign country that fails to fill its quota and allocated deficits in any year, subject to exceptions where such failure was due to crop disaster or intervention of other similar events.

(5) *Reallocation of reductions in quotas.*—A quantity equal to the reductions under (3) and (4) above would be prorated in the same manner as deficits.

(6) *Restoration of quotas withheld.*—Restoration of a quota withheld by the President in the national interest would be as the President determines, provided he restores the entire quota by the third year after he finds that such restoration is no longer contrary to the national interest.

(7) *Reduction in domestic area and foreign quotas.*—Whenever any quota is reduced to restore a quota withheld from a foreign country by the President in the national interest, or because of a reduction in consumption requirement, any amount of sugar imported or marketed in excess of the reduced quota would be deducted from such quota for the next year.

(8) *Quantity import limitation.*—Provides for import quota limitations on a quarterly basis only and during the first and second quarters only of any calendar year if the Secretary determines such action is necessary to achieve the objectives of the act, provided such limitations shall not prevent importation of a country's entire quota as well as deficits allocated to it.

Section 4. Reallocation of deficits

Deficits determined by the Secretary in domestic area and foreign country quotas would be divided by 47.22 percent to the Republic of the Philippines and the remainder allocated to foreign countries in the Western Hemisphere on the basis of the quotas specified for such named countries. If any quota is restored to Cuba provision is made to reduce the share for the Philippines. Known deficits are to be allocated by August 1 of each year.

Section 5. Reduction in allotment of a quota when quota reduced

If allotments of a domestic quota are in effect at the time of a reduction in the quota, amounts marketed in excess of the reduced allotment would be dis-

regarded in determining that person's allotment for the next year, and the allotment for such person for the next year would be reduced by the amount of such excess marketings.

Section 6. Sugar-containing products

Prescribes a limit upon the authority of the Secretary to reduce the quantity of a sugar-containing product which may be imported during any calendar year, and requires a determination that importation of the sugar-containing product would substantially interfere with the attainment of the objectives of the act before limitation may be imposed on the quantity imported.

Section 7. Limitations upon importation of direct-consumption sugar

Restates the present limitation upon direct-consumption sugar from the Philippines in short tons, raw value. Provides that none of the quota for any country other than the Philippines may be filled by direct-consumption sugar with the exception of Ireland, Belgium, and Panama, in the respective amounts of 2,311 short tons, 182 short tons, and 3,817 short tons.

Section 8. Importation into the Virgin Islands

Permits a person to import in any year up to 100 pounds of sugar into the Virgin Islands from any foreign country.

Section 9. Import fees

Repeals section 213, relating to import fees, which has now become obsolete.

Sections 10, 11, 12, 13. Miscellaneous

(1) Provision is made (i) for annual hearing to consider the need for farm proportionate shares, (ii) for limiting the sugarbeet acreage reserve to the years 1962 through 1966, (iii) for preserving sugarbeet production history where proportionate share acreage is released, and (iv) to utilize the facilities of Commodity Credit Corporation to disburse payments to domestic producers of sugarbeets and sugarcane.

(2) During any period when the provisions of title II are suspended by the President, the Secretary is required to estimate and publish consumption requirements and foreign country quotas on the basis provided in the act, and if a country fails to import into the United States the amount of such estimated quota, the quota established for such country in subsequent years would be reduced.

(3) Subsection (c) of section 408 (relating to the authority of the President to suspend the quota for any foreign country that expropriates property of a U.S. citizen) would be repealed.

(4) The act is extended for 5 years to December 31, 1971, and the related provisions of the Internal Revenue Code of 1954 are extended to June 30, 1972. All provisions of the bill would be effective January 1, 1965.

PRINCIPAL CHANGES MADE BY HOUSE IN ADMINISTRATION RECOMMENDATION

Section 3. Quotas

(1) Domestic quotas: Remain the same except that (1) for any calendar year after 1966 a reserve of 25,000 tons of sugar could be established from market growth for the mainland sugarcane area and allocated to a locality in terms of acres in a State in which there was no mill for processing sugar on a commercial basis in 1965, and (2) a national reserve of not to exceed 25,000 tons of sugar would be established in both beet and mainland cane areas for special consideration cases—additional marketing quota would be available to certain processors and additional acreage would be available to certain producers.

(2) Foreign quotas: Performance formula for allocating import quotas abandoned and quota changed for each country except Republic of the Philippines (see comparison which follows):

Although the House committee gave Ireland a quota of 10,000 tons other language in the bill precludes implementation of the quota. Bolivia, Thailand, and Honduras get quotas for the first time, and the Bahamas get a quota in 1968 if it can be used.

Cuba's participation was reduced from 57.77 to 44.25 percent. All increases in Cuban reserve resulting from increased requirements above 10 million tons to be prorated to OAS quota countries rather than all developing countries.

Should the requirements be increased and the Secretary determines that sugar is to be obtained on a first-come, first-served basis, he is required to give special consideration to countries agreeing to purchase for dollars additional agricultural commodities. (Such a finding would mean sugar was scarce and because of the time involved in getting bids, the barter type provision nullifies the value of the first-come provision).

(3) Deletes provision for import quota limitations on a quarterly basis, however, the committee report states that if the Secretary finds that adjustments in requirements determination does not achieve price objective, quarterly quotas for the first two quarters may be imposed under existing law.

Section 4. Reallocation of deficits

Deficits would be allocated on the same basis as provided in the administration bill, except that (1) non-Central American countries would not participate in deficits arising in Central American countries (Common Market countries) to the extent that other member countries could fill such deficits, and (2) deficits arising in countries outside the Western Hemisphere would be prorated among those countries, exclusive of the share for the Philippines.

Section 11. Miscellaneous

Subsection (c) of section 408 (relating to the authority of the President to suspend the quota for any foreign country that expropriates property of the United States) has been broadened and reinstated.

Comparison of foreign sugar quotas (when sugar requirements total 9,700,000 tons) as recommended by the administration and as passed by the House of Representatives

	Administration's recommendations	H. R. 11135	Change from administration's recommendation	
			Increase	Decrease
(A) For countries in the Western Hemisphere:				
Cuba ¹	0	0		
Mexico.....	390,135	340,925		49,210
Dominican Republic.....	385,854	340,925		44,929
Brazil.....	221,558	340,925	119,367	
Peru.....	240,824	272,013	31,189	
British West Indies.....	122,017	150,397	28,380	
Ecuador.....	49,770	50,267	497	
French West Indies.....	50,841	42,970		7,871
Colombia.....	27,829	42,970	15,141	
Costa Rica.....	34,786	42,159	7,373	
Nicaragua.....	40,672	38,511		2,161
Guatemala.....	35,321	32,836		2,485
Venezuela.....	2,676	30,809	28,133	
El Salvador.....	17,125	30,403	13,278	
Haiti.....	18,731	28,782	10,051	
Panama.....	14,449	25,184	10,685	
Argentina.....	63,685	21,485		42,200
British Honduras.....	4,281	19,864	15,583	
Bolivia.....	0	4,054	4,054	
Honduras.....	0	4,054	4,054	
Subtotal.....	1,720,554	1,859,483		
(B) For countries outside the Western Hemisphere: ²				
Australia.....	186,772	162,152		24,620
Belgium.....	1,605	0		1,605
China, Republic of.....	67,431	67,293		138
India.....	96,865	64,861		32,004
Ireland.....	2,141	³ 0		2,141
South Africa.....	96,865	29,593		67,272
Fiji Islands.....	45,489	24,323		21,166
Thailand.....	0	19,864	19,864	
Mauritius.....	14,985	14,188		797
Swaziland.....	9,098	6,081		3,017
Southern Rhodesia.....	9,098	6,081		3,017
Malagasy Republic.....	7,492	6,081		1,411
Turkey.....	1,605	0		1,605
Total.....	2,260,000	2,260,000		

¹ House Committee on Agriculture reduced Cuba's participation from 57.77 to 44.25 percent.

² Netherlands 0.35 percent and Paraguay 0.35 percent dropped.

³ The committee granted a quota of 10,000 tons for Ireland, but the language in another provision precludes its implementation.

THE U.S. SUGAR PROGRAM

The sugar industry

Per capita consumption of refined sugar in the continental United States averages about 97 pounds per year. Over half of the tremendous quantity of sugar required to meet this consumer demand is being supplied by domestic growers of sugarcane and sugarbeets, only slightly less from beets than from cane. The balance, almost all cane sugar, is imported.

The mainland sugarcane producing area consists of the States of Louisiana and Florida. The offshore domestic sugarcane areas are the State of Hawaii, the Commonwealth of Puerto Rico, and the Virgin Islands. The sugarbeet producing area consists of the following 23 States (arranged in decreasing order of production importance in the 1964 crop): California, Colorado, Idaho, Minnesota, Nebraska, Michigan, Montana, Wyoming, Washington, North Dakota, Ohio, Utah, Texas, Kansas, Oregon, South Dakota, Iowa, Nevada, New Mexico, Illinois, New York, Indiana, and Maine.

Almost 40,000 domestic farms grow sugarcane or sugarbeets. To cultivate and harvest these sugar crops about 235,000 farmworkers are required, mostly on a seasonal basis. The farm investment in growing sugarcane and sugarbeets in all domestic areas was estimated as about \$750 million in 1959 and has increased substantially since that time.

To produce the refined sugar commonly used in American households most sugar produced from sugarcane goes through two stages of processing. The first process, which yields raw cane sugar, is that of extracting, boiling, crystallizing and centrifuging the cane juice. This is done in raw cane sugar mills in the areas where the sugarcane is grown.

Blackstrap molasses and bagasse are byproducts of this first processing of sugarcane juice. The former is used for cattle feed and for manufacture of ethyl alcohol, yeast, vinegar, and citric acid. Bagasse, the fibrous portion of sugarcane, is used principally as fuel in the cane mills and as raw material in the manufacture of building board, cardboard, and paper.

Most of the cane sugar brought to the mainland from offshore areas, both foreign and domestic, is in the raw form. It is put through the second process—the refining process—in refineries, most of which are located in large port cities. A few refineries, however, are located in producing areas and a few are located at other interior points. Refined sugars, refiners' sirups, and refiners' blackstrap molasses result from this second process.

In contrast to the dual processing of cane sugar, sugar from beets is processed in a single plant. The principal byproducts are beet molasses and beet pulp. The pulp is used for cattle feed. Beet molasses, like blackstrap, is used as an ingredient in cattle feed, and in the manufacture of yeast and citric acid. A substantial quantity of beet molasses is put through the Steffen's process for additional extraction of sugar. The resultant Steffen's waste is used to produce monosodium glutamate, which is used to accent desirable flavors in foods.

In the domestic areas, 63 beet sugar factories, 110 cane sugar mills, and 28 refineries were in operation in 1964. Approximately 56,000 workers were employed in these sugarmaking plants. Two additional beet sugar factories will begin operations for the 1965 crop and two more are scheduled to begin operations for the 1966 crop.

THE SUGAR ACT AND HOW IT WORKS

How the act developed

For almost 150 years—from 1789 to 1934—the U.S. sugar industry was protected and regulated almost solely by tariff duties. With the onset of the worldwide depression in the early 1930's, however, it became clear the the industry had become so ramified and price and production relationships among domestic and foreign producing areas so complex that further adjustments in the tariff duties would no longer provide an adequate answer to the problem.

To meet this situation, the Jones Costigan Act was approved by the President on May 9, 1934. Although there have been modifications made in various operating provisions, the basic philosophy underlying this Act has been carried forward in subsequent legislation. The act set forth six principal means for dealing with the sugar problem:

- (1) The determination each year of the quantity of sugar needed to supply the Nation's requirements at prices reasonable to consumers and fair to producers;

- (2) The division of the U.S. sugar market among the domestic and foreign supplying areas by the use of quotas and subordinate limitations on offshore direct-consumption sugar;

- (3) The allotment of these quotas among the various processors in each domestic area;

- (4) The adjustment of production in each domestic area to the established quotas;

- (5) The use of tax receipts to finance payments to compensate growers for adjusting production to marketing quotas and to augment income; and

- (6) The equitable division of sugar returns among beet and cane processors, growers, and farmworkers.

The Jones-Costigan Act was superseded by the Sugar Act of 1937, which in turn was superseded by the Sugar Act of 1948. The latter, with modifications made by amendments in 1951, 1956, 1960, 1961, and 1962, has been extended through December 30, 1966, except that quotas for foreign countries, the import fee, and certain related provisions were established only through 1964.

The amendments in 1960, 1961, and 1962 provided for setting aside the quota for any country with which the United States is not in diplomatic relations. These amendments were prompted by the

revolution in Cuba which had been our principal foreign sugar supplier since early in this century. The 1962 amendments also provided until the end of 1964 for recovering, through a fee, part of the price advantage otherwise accruing to our foreign suppliers from the quota system.

With the expiration of the foreign quota provisions (except for the Philippines) the Secretary, using the general powers of the law, prorated 1965 quotas to foreign countries on the basis of their performance in contributing toward our import needs in 1963 and 1964 with double weighting to 1964. These prorations included the Cuban reserve (global quota) as the authority for the "global quota" and the import fee also expired and no import fee could be applied to importations in 1965. Foreign countries were placed on notice that more than half their 1965 quota prorations stemmed from the Cuban reserve.

TABLE 1.—*Proration of quotas for calendar year 1965 as of Sept. 22, 1965*

[Short tons, raw value]

Production area	Quotas and prorations	Direct consumption limits
Domestic beet area.....	2,650,000	(1)
Mainland cane area.....	895,000	(1)
Hawaii.....	1,127,970	31,806
Puerto Rico.....	¹ 940,000	139,500
Virgin Islands.....	15,232	0
Total, domestic area.....	5,628,202	171,306
Republic of the Philippines.....	² 1,114,412	59,920
Subtotal.....	6,742,614	231,226
Argentina.....	68,367	0
Australia.....	200,307	0
Belgium.....	1,937	182
Brazil.....	237,118	0
British Honduras.....	4,505	0
British West Indies.....	130,874	0
China.....	72,436	0
Colombia.....	30,103	0
Costa Rica.....	37,393	0
Dominican Republic.....	413,256	0
Ecuador.....	53,037	0
El Salvador.....	18,575	0
Fiji Islands.....	48,823	0
France.....	6,103	0
French West Indies.....	46,014	0
Guatemala.....	37,635	0
Haiti.....	19,907	0
India.....	103,919	0
Ireland.....	2,398	2,398
Malagasy Republic.....	7,871	0
Mauritius.....	16,008	0
Mexico.....	418,341	0
Nicaragua.....	43,520	0
Panama.....	15,548	3,817
Peru.....	257,946	0
Reunion.....	2,373	0
South Africa.....	103,862	0
Southern Rhodesia.....	9,542	0
Swaziland.....	9,648	0
Turkey.....	1,574	0
Venezuela.....	2,858	0
Total, foreign excluding Philippines.....	2,421,798	6,397
Quota deficits: Western Hemisphere countries ⁴	135,588	-----
Total.....	9,300,000	237,623

¹ No limit.

² Adjusted for deficits. Unadjusted quota for Puerto Rico was 1,140,000 short tons, raw value.

³ Includes 64,412 short tons, raw value, of quota deficit.

⁴ Allocated on pro rata basis—All countries agreed to purchase agricultural commodities.

HOW THE ACT WORKS

The Sugar Act of 1948, as amended, is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade. These three objectives are achieved through the adjustment of supplies of sugar that may be marketed in the United States.

The determination of sugar requirements

Under provisions of the act, the Secretary of Agriculture determines how much sugar will be needed to fill continental U.S. requirements during each calendar year. The determination, which is made in December for the year following but may be revised later if the needs change, establishes the quantity of sugar that may be marketed in the United States during the year.

In making his initial estimate the Secretary uses as a basis the quantity of sugar distributed during the preceding 12-month period ended October 31. Then he makes allowances for deficiencies or surpluses in the Nation's sugar inventories and for changes in consumption caused by changes in population and in demand conditions. The Secretary also considers the relationship between prices for raw sugar and the parity index (index of prices paid by farmers) so that sugar prices will be neither excessive to consumers nor too low to protect the welfare of the domestic sugar industry.

The Secretary must also determine requirements for consumption in Hawaii and Puerto Rico so that the general price and marketing objectives will be similar in all American markets.

ESTABLISHING QUOTAS FOR DOMESTIC AND FOREIGN PRODUCING AREAS

After the Secretary has determined overall requirements, domestic and specified foreign producing areas supplying the United States with sugar are assigned quotas representing their shares of the market as specified by the act.

Under the quota provisions enacted in 1962, the domestic sugar-producing areas are assigned a base of 5,810,000 short tons, raw value,¹ plus 65 percent of requirements in excess of 9,700,000 tons. Such increases are shared by the domestic beet sugar area and the mainland cane sugar area in proportion to their basic quotas, or approximately on a three-fourths and one-fourth basis, respectively. Provision is made to increase quotas for Hawaii and Puerto Rico when the need has been demonstrated, such increases to be offset by reducing the quantity prorated to foreign countries other than the Republic of the Philippines.

Beginning in 1962, the quota for the Republic of the Philippines is fixed at 1,050,000 tons of sugar, or about 70,000 tons, raw value, more than was previously provided for in both the Philippine Trade Agreement and the Sugar Act. Quotas for other specified foreign countries were established as percentages of the requirements remaining after the quotas for domestic areas and the Philippines have been established.

The proration to the various domestic and specified foreign supply areas (1962-64) at the basic level of requirements (9,700,000 tons) and from each 100,000-ton increase above this level is shown in table 2.

¹ "Raw value" is the term used in the Sugar Act to express in a common unit the various types of raw and refined sugars that move in commerce. One ton of refined sugar equals 1.07 tons of sugar, raw value.

TABLE 2.—*Proration of quotas under Sugar Act Amendments of 1962—Applicable 1962-64*

Area	When quotas total 9,700,000 tons	Each 100,000 tons in excess of 9,700,000 tons total
Domestic:		
Domestic beet sugar.....	2,650,000	48,589
Mainland cane sugar.....	895,000	16,411
Hawaii.....	1,110,000	0
Puerto Rico.....	1,140,000	0
Virgin Islands.....	15,000	0
Total domestic.....	5,810,000	65,000
Foreign:		
Philippines.....	1,050,000	0
Cuba.....	¹ 1,484,121	20,220
Peru.....	189,804	2,348
Dominican Republic.....	² 319,804	2,348
Mexico.....	189,804	2,348
Brazil.....	180,186	2,230
British West Indies.....	90,235	1,116
Australia.....	39,884	494
Republic of China.....	35,075	435
French West Indies.....	29,084	371
Colombia.....	29,984	371
Nicaragua.....	24,892	308
Costa Rica.....	24,892	308
Ecuador.....	24,892	308
India.....	20,084	248
Haiti.....	20,084	248
Guatemala.....	20,084	248
South Africa.....	20,084	248
Panama.....	14,992	185
El Salvador.....	10,183	126
Paraguay.....	9,900	123
British Honduras.....	9,900	123
Fiji Islands.....	9,900	123
Netherlands.....	9,900	123
Other countries.....	1,332	0
Ireland.....	10,000	0
Argentina.....	³ 20,000	0
Total.....	3,890,000	35,000
Grand total.....	9,700,000	100,000

¹ Percentage proration reduced 150,000 tons to cover added allocations to Dominican Republic and Argentina. Balance of proration, not made while United States is not in diplomatic relations with Cuba, becomes "global quota."

² Includes 130,000 tons allocated from proration for Cuba.

³ Allocated from proration for Cuba.

Whenever the United States is not in diplomatic relations with any country (currently Cuba), any quota otherwise specified for it under the act through 1964 was not granted. The quantity so withheld was designated as "global quota" to be filled by competitive imports of raw sugar from any country which, for the current and next preceding year, was a net exporter of sugar. The act required that in authorizing such "global" importations, special consideration was to be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

Most of the quotas for the domestic offshore and foreign supply areas could be filled only with raw sugar, which is defined as sugar which is to be further refined or improved in quality on the mainland. Other sugar is called direct-consumption sugar, and includes primarily white refined and other types of sugar familiar in home consumption.

Prior to 1960, about 650,000 tons of direct-consumption sugar were entered from offshore domestic and foreign areas each year. In 1960,

the quantity was much smaller, in 1961 only one-half as large, and under the 1962 amendments the total has been reduced to about 240,000 tons, almost all of it to come from offshore domestic areas and the Republic of the Philippines.

Unrestricted imports of refined sugar would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the United States.

Fees which were applicable to foreign sugar

Importations to replace quotas not granted because of lack of diplomatic relations were subject to a fee approximately equal to the difference between a price in the United States that would fulfill the objectives of the act and the price at which sugar was available for import. Thus the fee, at the full rate, diverted to the U.S. Treasury amounts roughly comparable to the so-called premium that foreign countries otherwise would receive on sales to the United States as compared with sales to most other countries. No fee was applicable to imports under quota from the Philippines.

Fees lower than the full premium rate applied to importations within basic quotas for foreign countries other than the Philippines and to all importations to fill deficit allocations resulting from the inability of any domestic area or foreign country to fill its basic quota. The rates for such importations of raw sugar were 10, 20, and 30 percent of the full rates for 1962, 1963, and 1964, respectively. Rates for sugar for direct consumption were 0.1-, 0.2-, and 0.3-cent per pound more than for raw sugar in the same annual succession.

The import fee became effective about the first of August 1962 and remained in effect until the latter part of January 1963 when the world price went above the U.S. price, on a comparable basis. During the period, approximately \$37 million were collected. For almost a year and a half the world market remained above the U.S. price. A fee was again imposed in August 1964 and remained in effect until the end of 1964 when the legislative authority for the fee expired. During this period, only about \$4 million were collected because practically all of our 1964 import requirements had been committed at the beginning of the year when the world price was well above the domestic price and no fee was required.

Deficits in quotas

If the Secretary finds that any domestic area or foreign country cannot supply its quota, he must allocate the deficit to other foreign countries. First he is required to increase the quota for the Republic of the Philippines by a proportionate amount. The remainder then is allocated to Western Hemisphere countries having basic quota prorations, with special consideration given to countries purchasing U.S. agricultural commodities. Quantities that the Republic of the Philippines or other Western Hemisphere countries having basic quota prorations could not fill were treated as quantities similar to the global quota.

A deficit determination for a domestic area or the Republic of the Philippines does not deprive the area of the right to supply its full basic quota if it later is able to do so.

Establishing marketing allotments

One important function of the sugar program is to promote orderly marketing. The establishment of quotas and import fees, alone, may not accomplish this when supplies in domestic producing areas materially exceed quotas. If, for example, a domestic area has more sugar available for marketing than its quota, each of the various processors is likely to rush sugar to market to make sure that he disposes of his supply before the quota is filled. This tends to bring about a temporary oversupply, panicky sellers, and an unwarranted decline in price.

If the Secretary finds that the pressure of supplies in an area is likely to cause disorderly marketing, he must allot the quota fairly among the processors. The allotment is based on past marketings of sugar by the various processors, their ability to market sugar during the season for which the allotment is being made, and on their sugar processings from beets or cane to which proportionate farm shares pertain. Marketing allotments for both the domestic beet sugar and mainland cane sugar areas were in effect for the calendar year 1964 and are again in effect for the 1965 calendar year.

Assigning proportionate shares

In the domestic areas, the Secretary must, in addition to establishing processor allotments, see that each sugar-producing farm gets its fair share of the available market. In dividing this market the Secretary must allow for enough sugar to fill the quota for the applicable year and to provide a normal carryover inventory. If the crop prospect is for this or a smaller amount of sugar, production is unrestricted on all farms. Each farm allotment, known as its "proportionate share," is expressed either in acres, tons of sugarcane or beets, or quantity of sugar.

The purpose in assigning specific shares to farms in a particular area is to adjust crop output to the area's quotas and normal carryover and to assure that each farm will share equitably in this adjustment. Thus, past production and the ability of the farm to produce beets or cane during the year for which the determination is being made must be considered.

The act also requires the Secretary to protect the interests of small and new producers and producers who are tenants or sharecroppers, and to consider the interest of producers in any local producing area where past production has been seriously affected by abnormal and uncontrollable natural conditions.

Individual farm restrictions were established for the 1965 mainland sugarcane crop at a level of about 13 percent below the 1964 crop. The 1965 crop of sugarbeets is also restricted with established growers being cut about 10 percent below their 1964 crop plantings. Growers delivering beets to new plants in new localities could not be cut back as acreage committed under the acreage reserve provisions is guaranteed for 2 years following the year of commitment.

Producers are not required to stay within their assigned proportionate shares. They must do so, however, if they wish to receive conditional payments as authorized under the act. These payments are an important part of their income. Generally too, processors do not buy sugarcane or sugarbeets from nonproportionate share acreage (except

for production of sugar for livestock feed) because sugar produced from such acreage is not considered in establishing marketing allotments for the processors.

Sugarbeet acreage reserves for new producing localities

Amendments to the Sugar Act in 1962 included provisions for sugarbeet acreage reserves to be used primarily for new production areas. Each year for the period 1962-66, the acreage required to yield 65,000 short tons, raw value, of sugar was reserved and has been committed to localities for new factories and to certain localities for expansion of existing factories.

Pursuant to this provision the Secretary has committed acreage to six localities where new factories have been constructed or are now being constructed. Commitments were also made to three processing companies for plant expansion.

Conditional payments to growers

In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the conditional payments have three objectives: (1) to help give growers adequate income from sugarcane and sugarbeet production; (2) to assure growers and their fieldworkers a fair share of the returns to the sugar industry; and (3) to prevent the employment of child labor in fieldwork.

The first objective is automatically achieved by the payment itself. The second and third objectives are attained by requiring growers, in addition to complying with their proportionate shares, to pay fieldworkers in full for work performed on cane or beets at rates not less than those determined by the Secretary to be fair and reasonable, to observe child labor provisions specified by the act, and—if they are processors as well as growers—to pay fair prices for cane or beets purchased from other growers.

The child labor provisions require that growers must not employ children under the age of 14 nor permit them to work on sugarbeets or sugarcane. Children between the ages of 14 and 16 may not be employed or permitted to work for more than 8 hours a day. Growers who own at least 40 percent of the crop they are cultivating are exempted from these provisions with respect to their own children. Unless a grower observes these conditions he is penalized by a deduction of \$10 from his payment for each day or part of a day during which each such child was employed or permitted to work.

The rate of the conditional payment declines as the volume of commercially recoverable sugar contained in the cane or beets marketed by the farm increases. The basic rate of 0.8 cent a pound of sugar, raw value, or \$16 a ton, is paid on the first 350 short tons produced. This rate is reduced progressively to a minimum of 0.3 cent a pound, or \$6 a ton, on all sugar produced in excess of 30,000 tons.

The sugar program also gives limited benefits to growers in the form of special conditional payments for crop deficiency or abandonment caused by drought, flood, storm, freeze, disease, or insects. For a farmer to be eligible for these payments, the natural disaster must cause damage to all or a substantial part of the crop throughout the local producing area in which the farm is located.

Receipts.—There is an excise tax of 50 cents per hundred pounds of sugar, raw value, on all sugar consumed in the United States

within the quota system. The collections of this tax from 1938 through the fiscal year 1964 have exceeded total expenditures under the sugar program (including direct payments to growers) by more than \$500 million. This figure does not include the collections of the tariff of 62½ cents per pound, raw value (currently applicable), nor the collections of the variable import fee provided by the 1962 amendments.

Program administration

The State and county agricultural stabilization and conservation (ASC) committees are responsible for local administration of both the farm proportionate share (acreage allotment) and the conditional payment parts of the program. This local administration is based on procedures and program regulations developed by the Agricultural Stabilization and Conservation Service in Washington and approved by the ASCS Administrator.

All regulations issued under the authority of the Sugar Act are announced by press release. They are published in the Federal Register a few days later. They are codified as title 7, chapter VIII of the Code of Federal Regulations.

Certain regulations must be preceded by public hearings. These are marketing allotment orders, the distribution of the sugarbeet acreage reserve to new producing localities, fair price and fair wage determinations, and the determination of processes and qualities which distinguish raw sugar from direct-consumption sugar.

Other regulations may be issued without public hearings. However, informal public hearings are customarily held when restrictive proportionate share regulations for individual farms are under consideration.

Prices and consumer benefits

The limitation that the quota system puts on total marketings on sugar in the United States under most circumstances makes prices to consumers enough higher than might otherwise prevail to fairly maintain the domestic sugar industry. The quota system, also, in the past has assured supplies adequate to maintain reasonable prices to consumers even when sugar prices were extremely high in the so-called free world market. The large supplies and cooperation of Cuba (before the Castro revolution) provided the assured supplies and stable prices. In more recent years, the desire of numerous countries to establish marketing rights in the United States has been the principal factor.

STATISTICAL DATA ON SUGAR

TABLE I.—Final adjusted sugar quotas including deficit allocations by countries and Cuban reserve ("global quota"), 1948-65

[In short tons, raw value]

Country	1948	1949	1950	1951	1952	1953	1954	1955	1956
Domestic areas.....	13,955,913	13,798,174	14,668,000	14,124,785	14,054,556	14,355,439	14,439,319	4,444,000	4,801,500
Republic of the Philippines.....	1,240,000	1,557,000	1,532,000	1,782,000	1,774,000	1,874,000	974,000	977,000	980,000
Argentina.....	0	0	0	0	0	0	0	0	0
Australia.....	0	0	0	0	0	0	0	0	0
Belgium.....	0	0	0	0	0	0	0	0	0
Brazil.....	0	0	0	0	0	0	0	0	0
British Honduras.....	0	0	0	0	0	0	0	0	0
British West Indies.....	0	0	0	0	0	0	0	0	0
Canada.....	0	0	0	0	0	0	0	0	0
China, Republic of.....	0	0	0	0	0	0	0	0	0
Colombia.....	0	0	0	0	0	0	0	0	0
Costa Rica.....	0	0	0	0	0	0	0	0	0
Cuba.....	2,940,467	2,092,976	2,430,580	2,947,175	2,025,295	2,759,281	2,723,401	2,859,840	3,089,760
Dominican Republic.....	15,231	12,353	21,839	13,123	13,866	28,703	29,401	32,525	42,329
Ecuador.....	7,607	1,067	10	10	10	10	10	10	10
El Salvador.....	0	0	0	0	0	0	0	0	0
Fiji Islands.....	0	0	0	0	0	0	0	0	0
France.....	0	0	0	0	0	0	0	0	0
French West Indies.....	0	0	0	0	0	0	0	0	0
Guatemala.....	0	0	0	0	0	0	0	0	0
Haiti.....	1,924	1,372	2,020	1,691	1,916	2,777	2,635	2,147	2,097
Hong Kong.....	0	0	0	0	0	0	0	0	0
India.....	0	0	0	0	0	0	0	0	0
Ireland.....	0	0	0	0	0	0	0	0	0
Malagasy Republic.....	0	0	0	0	0	0	0	0	0
Mauritius.....	0	0	0	0	0	0	0	0	0
Mexico.....	8,351	9,526	11,849	172	12,505	11,901	12,191	13,485	12,042
Netherlands.....	0	0	0	0	0	0	0	0	0
Nicaragua.....	12,122	15,244	16,248	10	13,765	28,134	17,832	8,387	14,530
Panama.....	0	0	0	0	0	0	0	0	0
Paraguay.....	0	0	0	0	0	0	0	0	0
Peru.....	25,385	21,589	36,400	21,131	23,110	53,986	55,302	55,658	59,305
Réunion.....	0	0	0	0	0	0	0	0	0
South Africa.....	0	0	0	0	0	0	0	0	0
Southern Rhodesia.....	0	0	0	0	0	0	0	0	0
Swaziland.....	0	0	0	0	0	0	0	0	0
Turkey.....	0	0	0	0	0	0	0	0	0
United Kingdom.....	0	0	0	0	0	0	0	0	0
Venezuela.....	0	0	0	0	0	0	0	0	0
Unspecified countries.....	10	199	114	123	1987	5,779	5,919	5,958	6,437
Unallotted.....	3,000	500	50	10,000	0	0	0	0	0
Cuban reserve.....	0	0	0	0	0	0	0	0	0
Total quotas.....	7,200,000	7,500,000	8,700,000	7,900,000	7,900,000	8,100,000	8,250,000	8,400,000	9,000,000

TABLE I.—Final adjusted sugar quotas including deficit allocations by countries and Cuban reserve ("global quota"), 1948-65—Continued

SUGAR

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Country	1957	1958	1959	1960	1961	1962	1963	1964	1965 *
Domestic areas.....	14,702,619	14,534,393	14,925,698	15,131,500	2,535,500	15,276,000	15,633,463	15,650,832	5,815,711
Republic of the Philippines.....	1,930,000	980,000	980,000	980,000	980,000	1,085,000	1,237,618	1,173,521	1,050,000
Argentina.....	0	0	0	0	0	10,000	20,000	20,000	65,897
Australia.....	0	0	0	0	0	16,543	43,339	40,366	193,089
Belgium.....	188	221	182	182	182	182	182	182	1,867
Brazil.....	0	0	0	0	0	225,865	195,793	182,363	228,550
British Honduras.....	0	0	0	0	0	0	10,758	1,974	4,342
British West Indies.....	87	102	84	84	84	172,525	141,630	91,325	126,145
Canada.....	632	766	631	631	631	316	10	10	0
China, Republic of.....	3,485	4,218	3,624	4,218	3,980	16,441	38,114	35,499	69,819
Colombia.....	0	0	0	0	0	236,147	32,581	30,346	29,015
Costa Rica.....	10	1,123	3,616	4,202	3,968	220,346	27,653	37,393	36,041
Cuba.....	3,127,028	3,437,582	3,215,457	2,419,655	111,157	10	407,545	370,889	398,323
Dominican Republic.....	62,464	86,831	81,457	130,957	0	364,158	29,649	25,193	51,121
Ecuador.....	0	0	0	0	0	56,226	13,010	10,306	17,904
El Salvador.....	0	0	0	0	0	14,471	10,758	10,020	47,059
Fiji Islands.....	0	0	0	0	0	4,104	0	0	6,882
France.....	0	0	0	0	0	0	23,526	30,346	44,352
French West Indies.....	0	0	0	0	0	28,103	34,395	25,392	36,276
Guatemala.....	0	0	0	0	0	35,695	28,985	20,326	19,188
Haiti.....	3,333	8,005	7,014	9,105	8,268	2	10	10	0
Hong Kong.....	3	14	3	3	3	8,325	21,823	20,326	100,164
India.....	0	0	0	0	0	5,000	10,000	10,000	2,311
Ireland.....	0	0	0	0	0	0	0	0	7,685
Malagasy Republic.....	0	0	0	0	0	0	0	0	15,430
Mauritius.....	0	0	0	0	0	0	365,966	255,435	403,225
Mexico.....	44,586	66,266	64,809	115,809	95,409	151,689	0	0	0
Netherlands.....	3,561	4,359	3,731	4,427	4,149	1,970	0	0	0
Nicaragua.....	10,276	15,628	14,027	19,766	17,471	18,696	27,048	25,193	41,947
Panama.....	3,485	4,253	3,624	4,218	3,980	1,901	16,290	18,832	14,985
Paraguay.....	0	0	0	0	0	4,104	10,758	0	0
Peru.....	79,721	86,867	95,527	138,827	121,507	290,550	266,243	201,418	248,625
Réunion.....	0	0	0	0	0	0	0	0	2,288
South Africa.....	0	0	0	0	0	8,325	21,823	20,326	100,108
Southern Rhodesia.....	0	0	0	0	0	0	0	0	9,197
Swaziland.....	0	0	0	0	0	258	0	0	9,300
Turkey.....	0	0	516	516	516	0	10	10	1,517
United Kingdom.....	533	626	516	516	0	0	0	0	2,755
Venezuela.....	0	0	0	0	0	0	0	0	0
Unspecified countries.....	0	0	0	0	0	9,224	15,392	503,197	0
Unallotted.....	0	0	0	0	0	2,206,613	1,725,658	1,000,000	0
Cuban reserve.....	0	0	0	1,435,900	3,297,195	0	0	0	0
Total quotas.....	8,975,000	9,231,279	9,400,000	10,400,000	10,000,000	10,000,000	10,400,000	9,800,000	9,200,000

* Reflects reduction because of deficits.

‡ Reflects increase from allocation of deficits.

§ Not final but as of June 1, 1965. Does not reflect deficit of about 300,000 tons in Puerto Rico, which when declared will have effect of transferring that quantity from domestic area quotas to foreign country quotas.

TABLE Ia.—Final adjusted sugar quotas including deficit allocations for each domestic area, 1948-65

Year	Beet sugar	Mainland cane sugar	Hawaii	Puerto Rico	Virgin Islands	Total, domestic areas
1948.....	¹ 1,687,738	¹ 413,260	¹ 825,000	² 1,023,756	² 6,159	¹ 3,955,913
1949.....	¹ 1,500,000	² 548,773	¹ 652,000	² 1,091,401	6,000	¹ 3,798,174
1950.....	² 1,899,000	² 546,861	¹ 1,150,594	² 1,060,545	² 11,000	² 4,668,000
1951.....	¹ 1,700,000	500,000	¹ 962,000	² 956,479	² 8,306	¹ 4,124,785
1952.....	¹ 1,560,000	² 533,296	¹ 972,000	² 982,860	² 6,400	¹ 4,054,556
1953.....	¹ 1,620,000	² 517,921	² 1,088,382	² 1,117,351	² 12,415	¹ 4,355,439
1954.....	² 1,803,099	² 500,861	¹ 1,043,000	² 1,081,859	¹ 10,500	¹ 4,439,319
1955.....	1,800,000	500,000	1,052,000	1,080,000	12,000	4,444,000
1956.....	² 1,955,401	² 601,696	² 1,091,305	² 1,141,098	¹ 12,000	4,801,500
1957.....	² 2,070,694	² 637,172	² 1,060,000	¹ 920,000	¹ 14,753	¹ 4,702,619
1958.....	² 2,292,488	² 720,805	¹ 700,000	¹ 815,000	¹ 6,100	¹ 4,534,393
1959.....	² 2,267,665	² 697,783	¹ 997,970	¹ 969,875	¹ 12,405	¹ 4,925,698
1960.....	² 2,514,945	² 773,873	¹ 940,444	¹ 893,620	¹ 8,618	¹ 5,131,500
1961.....	² 2,609,170	² 715,000	¹ 1,030,000	¹ 980,000	¹ 17,330	5,351,500
1962.....	¹ 2,500,000	¹ 795,000	¹ 1,080,000	¹ 890,000	¹ 11,000	¹ 5,276,000
1963.....	¹ 2,698,590	1,009,873	¹ 1,070,000	¹ 870,000	15,000	¹ 5,663,463
1964.....	2,698,590	911,410	1,110,000	¹ 915,000	15,832	¹ 5,650,832
1965 ⁴	2,650,000	895,000	1,115,479	⁴ 1,140,000	15,232	5,815,711

¹ Reflects reduction because of deficits.² Reflects increase from allocation of deficits.³ Despite declaration of deficit, 2,966,000 tons were marketed because area retains its basic quota rights.⁴ As of June 1, 1965. Does not reflect deficit of about 300,000 tons in Puerto Rico, which when declared will have effect of transferring that quantity from domestic area quotas to foreign country quotas.

TABLE II.—*Production and disposition of sugar in countries which exported to the United States, 1961-64*

Country	Total land area (one thousand square miles)	Population (thousands)	Crop year sugar production (thousand short tons, raw value)				Local sugar consumption (thousand short tons, raw value)				Net sugar exports (thousand short tons, raw value)			
			1961-62	1962-63	1963-64	1964-65	1961	1962	1963	1964 ¹	1961	1962	1963	1964 ¹
Republic of the Philippines.....	116	30,331	1,618	1,714	1,920	2,000	394	448	470	525	1,356	1,256	1,195	1,217
Argentina.....	1,073	21,762	1,754	858	1,157	1,063	806	928	787	872	205	38	375	80
Australia.....	2,971	10,965	1,512	2,000	1,934	2,017	616	637	641	667	906	1,287	1,270	1,400
Belgium.....	12	9,221	500	383	402	525	373	390	391	420	124	72	13	10
Brazil.....	3,286	77,521	3,934	3,578	3,606	3,939	3,085	3,268	3,180	3,100	863	491	581	307
British Honduras.....	9	96	29	31	38	43	2	3	3	3	28	26	27	30
British West Indies.....	91	3,897	1,331	1,442	1,346	1,520	159	160	165	173	1,230	1,172	1,240	1,210
China, Republic of.....	14	11,884	948	873	1,300	815	143	130	124	152	720	747	762	900
Colombia.....	455	15,068	380	449	399	485	354	407	376	410	54	76	50	28
Costa Rica.....	23	1,338	76	96	101	127	43	47	50	53	30	24	38	41
Dominican Republic.....	19	3,334	939	847	970	1,000	87	125	123	132	825	890	698	835
Ecuador.....	116	4,725	137	149	130	170	99	105	111	114	56	67	66	68
El Salvador.....	8	2,721	73	68	72	85	46	48	48	48	16	21	20	23
Fiji Islands.....	7	428	163	279	331	330	17	16	19	20	152	224	288	342
France.....	213	48,133	1,878	1,795	2,18	2,277	1,558	1,769	1,801	1,840	546	287	539	210
French West Indies.....	1	48,573	307	287	252	277	14	13	14	15	288	277	275	243
Guatemala.....	42	4,065	133	152	158	160	91	84	86	106	8	37	52	68
Haiti.....	11	4,448	64	67	70	75	37	40	40	41	44	38	40	15
India.....	1,261	449,381	3,693	2,979	3,449	3,800	2,642	3,165	2,922	3,100	326	420	563	300
Malagasy Republic.....	228	5,862	102	102	129	130	39	43	42	45	41	67	77	75
Mauritius.....	1	701	605	587	808	614	30	30	30	31	565	587	640	630
Mexico.....	758	38,416	1,647	1,870	2,089	2,368	1,274	1,373	1,453	1,569	651	394	435	536
Nicaragua.....	57	1,629	89	111	105	120	45	50	54	58	30	44	38	60
Panama.....	29	1,117	30	30	54	63	25	27	30	33	6	4	13	19
Paraguay.....	157	1,903	34	38	43	45	38	34	40	42	4	4	2	2
Peru.....	514	10,420	857	904	882	915	293	309	325	342	661	595	547	472
Réunion.....	1	349	280	225	280	250	8	8	9	9	214	238	229	250
South Africa.....	472	17,075	1,174	1,277	1,359	1,479	757	728	780	837	314	528	686	660
Southern Rhodesia.....	150	4,010	104	129	180	180	90	99	105	110	0	0	0	80
Turkey.....	296	30,256	518	467	565	725	397	433	478	509	303	173	52	138
Venezuela.....	352	8,255	271	292	339	378	282	275	287	315	0	0	55	0
Total.....	12,743	819,845	24,106	24,062	26,195	27,975	13,824	15,190	14,984	15,681	10,516	9,991	10,900	10,259

¹ Preliminary.² Includes Swaziland.

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TABLE III.—*Sugar: Exports to the United States, other preferential, and world markets, 1961-64*¹

Country	Exports to United States (thousand short tons, raw value)				Exports to other preferential markets (thousand short tons, raw value)				Exports to world market (thousand short tons, raw value)				Value of sugar exports as a percent of value of total exports, 1960-62 average
	1961	1962	1963	1964 ²	1961	1962	1963	1964 ²	1961	1962	1963	1964 ²	
Republic of the Philippines.....	1,325	1,265	1,178	1,217	0	0	0	0	0	0	0	0	25.1
Argentina.....	5	18	216	20	0	0	0	0	201	18	158	40	8
Australia.....	91	201	185	217	752	733	812	703	122	421	333	480	3.3
Belgium.....	4	10	8	5	0	0	0	0	124	70	72	6	2
Brazil.....	323	399	460	184	0	0	0	0	498	129	76	123	4.2
British Honduras.....	0	2	0	6	29	27	27	25	0	0	0	0	25.0
British West Indies.....	272	186	143	142	1,009	1,024	1,126	1,068	0	0	0	0	22.4
China, Republic of.....	187	99	70	81	0	0	0	0	545	574	680	819	30.6
Colombia.....	47	66	44	28	0	0	0	0	4	6	0	0	9
Costa Rica.....	33	26	38	41	0	0	0	0	0	0	0	0	3.5
Dominican Republic.....	380	903	689	412	0	0	0	0	495	29	151	423	47.9
Ecuador.....	36	70	52	68	0	0	0	0	17	0	0	10	2.9
El Salvador.....	12	19	19	21	0	0	0	0	2	3	4	2	1.6
Fiji Islands.....	0	16	49	54	172	214	253	288	0	0	0	0	69.4
French West Indies.....	73	61	94	37	182	217	185	206	10	12	10	0	37.7
Guatemala.....	0	39	52	41	0	0	0	0	8	1	1	27	1.8
Haiti.....	45	39	41	15	0	0	0	0	0	0	0	0	11.1
India.....	167	144	119	111	0	0	0	0	154	303	447	189	1.5
Malagasy Republic.....	0	0	0	12	21	35	40	40	29	32	37	23	6.0
Mauritius.....	0	14	67	0	592	588	591	619	1	0	12	11	89.1
Mexico.....	673	386	379	470	0	0	0	0	0	0	37	66	6.1
Nicaragua.....	31	45	50	39	0	0	0	0	0	0	0	0	4.6
Panama.....	6	4	11	19	0	0	0	0	0	0	0	0	(3)
Paraguay.....	4	0	5	0	0	0	0	0	0	0	0	0	(3)
Peru.....	602	510	413	242	0	0	0	0	7	0	0	2	11.2
Réunion.....	0	11	10	0	238	209	205	194	16	34	117	230	80.0
South Africa ⁴	0	136	120	120	295	233	330	290	48	202	240	262	2.6
Southern Rhodesia.....	0	0	13	10	0	0	38	70	1	0	0	0	(3)
Turkey.....	0	93	0	0	0	0	0	0	308	68	49	158	4.0
Venezuela.....	0	0	12	0	0	0	0	0	0	0	43	0	0
Total.....	4,316	4,760	4,445	3,602	3,290	3,250	3,607	3,503	2,690	1,924	2,497	2,926	-----

¹ Excludes France and net sugar importing countries of Canada, Hong Kong, Iceland,

the Netherlands, and United Kingdom.

² Preliminary.³ Less than 0.05 percent.⁴ Includes Swaziland.

TABLE III(a).—Exports to other preferential markets by countries which also supply the United States, 1964

[Short tons, raw value]

	Guaranteed price		Tariff preferential				Total
	Metro- politan France	United Kingdom	United Kingdom	Canada ¹	New Zealand ²	Malaysia ³	
Australia	-----	4 382	125	141	55	-----	703
British Honduras	-----	4 23	-----	2	-----	-----	25
British West Indies	-----	4 765	-----	303	-----	-----	1,068
Fiji Islands	-----	4 153	30	48	35	22	288
Mauritius	-----	4 427	32	154	-----	6	619
Southern Rhodesia	-----	-----	51	19	-----	-----	70
South Africa	-----	6 179	-----	111	-----	-----	290
French West Indies	6 206	-----	-----	-----	-----	-----	206
Malagasy Republic	6 40	-----	-----	-----	-----	-----	40
Réunion	6 194	-----	-----	-----	-----	-----	194
Total	440	1,929	238	778	90	28	3,503

¹ Approximately 1 cent per pound tariff preference.² None at present.³ Approximately 0.625 cents per pound tariff preference.⁴ 5.8 cents per pound, c.i.f. London.⁵ 4.45 cents per pound f.o.b. South Africa.⁶ 8.5 cents, c.i.f., France, for direct-consumption sugar.

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TABLE IV.—U.S. sugar imports charged to (1) basic quota and deficit reallocation sugar; and (2) nonquota purchase and global quota sugar, 1961-64

[In short tons, raw value]

Country	1961			1962			1963			1964		
	Basic and deficit	Nonquota purchase and global	Total	Basic and deficit	Nonquota purchase and global	Total	Basic and deficit	Nonquota purchase and global	Total	Basic and deficit	Nonquota purchase and global	Total
Republic of the Philippines.....	962,403	392,513	1,354,916	1,073,763	182,401	1,256,164	1,194,833	0	1,194,833	1,171,124	46,269	1,217,393
Argentina.....	0	0	0	9,757	0	9,757	18,867	209,701	228,568	19,751	0	19,751
Australia.....	0	90,055	90,055	16,675	131,949	148,624	43,217	180,367	223,584	40,366	174,732	216,098
Belgium.....	182	1,449	1,631	182	1,681	1,863	181	7,365	7,546	180	0	180
Brazil.....	0	306,402	306,402	208,622	182,535	391,157	188,126	281,696	469,822	182,363	5,014	182,363
British Honduras.....	0	0	0	0	0	0	1,712	0	1,712	974	0	5,988
British West Indies.....	83	265,845	265,928	171,257	10,404	181,661	141,356	0	141,356	91,029	51,199	142,228
Canada.....	631	1,265	1,896	3,316	3,338	3,654	0	0	0	0	0	0
China, Republic of.....	3,980	166,046	170,026	16,418	106,055	121,473	38,114	33,155	71,269	34,042	47,114	81,156
Colombia.....	0	46,049	46,049	35,866	30,261	66,127	0	45,030	45,030	28,292	0	28,292
Costa Rica.....	3,973	25,915	29,888	18,529	8,100	26,629	27,653	12,984	40,637	19,720	20,806	40,526
Dominican Republic.....	111,609	221,796	333,405	363,184	498,339	861,523	392,441	197,558	589,999	366,696	31,766	398,462
Ecuador.....	0	36,999	36,999	50,079	16,782	66,861	28,326	28,156	56,482	32,074	32,846	57,920
El Salvador.....	0	11,467	11,467	14,155	4,982	19,137	12,306	6,649	18,955	10,326	0	20,571
Fiji Islands.....	0	0	0	4,104	11,650	15,754	10,619	37,946	48,565	9,981	44,536	54,517
France.....	0	0	0	0	0	0	0	22,935	22,935	0	845	845
French West Indies.....	0	75,000	75,000	31,052	12,654	43,706	33,526	60,771	94,297	30,342	3,944	34,286
Guatemala.....	0	9,781	9,781	26,354	6,516	32,870	34,395	16,655	51,050	17,620	19,631	37,251
Haiti.....	8,087	37,001	45,088	32,967	1,380	34,347	28,868	11,555	40,423	14,967	0	14,957
Hong Kong.....	3	17	20	2	41	43	0	0	0	0	0	0
India.....	0	170,868	170,868	8,275	136,402	144,677	21,325	97,638	118,963	20,326	90,227	110,553
Ireland.....	0	0	0	4,990	4,987	9,977	9,973	0	9,973	0	0	0
Malagasy Republic.....	0	0	0	0	0	0	0	0	0	0	11,559	11,559
Mauritius.....	0	0	0	0	13,475	13,475	0	66,605	66,605	0	0	0
Mexico.....	92,848	580,706	673,554	39,957	357,617	397,574	358,304	21,075	379,379	255,621	224,599	480,120
Netherlands.....	4,142	5,838	9,980	1,970	5,349	7,319	0	0	0	0	0	0
Nicaragua.....	10,947	19,578	30,525	16,236	30,893	47,129	23,216	15,176	38,392	25,079	25,261	50,340
Panama.....	3,980	3,157	7,137	1,219	2,555	3,774	9,949	234	10,183	8,832	10,384	19,216
Paraguay.....	0	3,440	3,440	0	0	0	0	0	0	0	0	0
Peru.....	122,529	503,054	625,583	256,049	274,263	530,312	205,437	207,981	413,418	199,665	33,115	232,780
Réunion.....	0	0	0	0	0	0	0	9,893	9,893	0	0	0
South Africa ¹	0	0	0	8,326	84,765	93,091	21,823	110,449	132,272	20,326	99,634	119,960
Southern Rhodesia.....	0	0	0	0	0	0	0	10,589	10,589	0	10,260	10,260
Turkey.....	0	0	0	0	65,304	65,304	0	6,578	6,578	0	0	0
United Kingdom.....	516	1,034	1,550	258	1,484	1,742	0	0	0	0	0	0
Venezuela.....	0	0	0	0	0	0	0	0	0	0	0	0
West Germany.....	0	0	0	0	1	1	0	11,907	11,907	0	0	0
Total.....	1,325,913	2,974,275	4,300,188	2,410,562	2,185,163	4,595,725	2,814,567	1,710,648	4,555,215	2,592,586	993,986	3,586,572

¹ Includes Swaziland.

TABLE V.—Monthly spot prices of domestic and world sugar with quota premiums or discounts on comparable basis

(In cents per pound)

	Domestic ¹	World ²	Quota premiums or discounts ³
1961			
January.....	6.39	3.03	+2.44
February.....	6.32	2.97	+2.45
March.....	6.25	2.97	+2.40
April.....	6.25	3.14	+2.20
May.....	6.46	3.35	+2.18
June.....	6.48	3.20	+2.33
July.....	6.39	3.05	+2.38
August.....	6.06	2.80	+2.29
September.....	6.06	2.69	+2.41
October.....	6.19	2.73	+2.50
November.....	6.29	2.53	+2.80
December.....	6.40	2.46	+2.98
Calendar year.....	6.30	2.91	+2.45
1962			
January.....	6.45	2.30	+3.23
February.....	6.37	2.36	+3.10
March.....	6.43	2.65	+2.89
April.....	6.43	2.69	+2.86
May.....	6.43	2.60	+2.95
June.....	6.45	2.63	+2.94
July.....	6.39	2.92	+2.59
August.....	6.54	3.24	+2.42
September.....	6.43	3.18	+2.37
October.....	6.52	3.28	+2.35
November.....	6.44	3.65	+1.90
December.....	6.54	4.29	+1.36
Calendar year.....	6.45	2.98	+2.58
1963			
January.....	6.70	5.41	+0.40
February.....	6.80	6.06	-.15
March.....	7.04	6.62	-.47
April.....	8.26	7.65	-.28
May.....	11.08	10.36	-.19
June.....	8.70	9.92	-2.12
July.....	7.95	9.05	-2.00
August.....	6.65	6.63	-.88
September.....	7.45	7.63	-1.09
October.....	9.42	10.67	-2.18
November.....	9.34	11.63	-3.23
December.....	8.78	10.36	-2.52
Calendar year.....	8.18	8.50	-1.23
1964			
January.....	9.29	10.64	-2.28
February.....	8.02	9.11	-2.02
March.....	7.33	7.43	-1.03
April.....	7.43	8.05	-1.54
May.....	6.65	7.12	-1.39
June.....	6.45	5.33	+1.20
July.....	6.25	4.80	+1.53
August.....	6.18	4.37	+1.89
September.....	6.20	3.71	+1.67
October.....	6.27	3.70	+1.65
November.....	6.17	3.40	+1.85
December.....	6.55	2.76	+2.87
Calendar year.....	6.90	5.87	+1.11
1965			
January.....	6.85	2.41	+3.52
February.....	6.79	2.25	+3.61
March.....	6.61	2.63	+3.04
April.....	6.69	2.40	+3.25
May.....	6.73	2.35	+3.42

¹ Spot price No. 7 contract, bulk sugar at New York, duty paid.² Spot price No. 8 contract, bagged sugar, f.o.b. and stowed at greater Caribbean ports, including Brazil.³ Domestic price adjusted to comparable basis with world price by deducting duty, freight, insurance, unloading charges, and adding bag allowance before calculating differential from world price.

TABLE VI.—U.S. sugar imports exclusive of quota exempt sugar, 1961-64
[In short tons, raw value]

Country of origin	1961	1962	1963	1964	4 years, 1961-64		3 years, 1962-64		2 years, 1963-64	
					Total	Average	Total	Average	Total	Average
Republic of the Philippines.....	1,354,916	1,256,164	1,194,833	1,217,393	5,023,306	1,255,826	3,668,390	1,222,797	2,412,226	1,206,113
Argentina.....	0	9,757	228,588	19,751	258,076	64,519	258,076	86,025	248,319	124,180
Australia.....	90,055	148,624	223,584	215,098	677,361	169,340	587,306	196,769	438,682	219,341
Belgium.....	1,631	1,863	7,546	11,220	11,220	2,805	9,589	3,196	7,726	3,863
Brazil.....	306,402	391,157	469,822	182,363	1,349,744	337,436	1,043,342	347,781	652,185	326,092
British Honduras.....	0	0	1,712	5,988	7,700	1,925	7,700	2,567	7,700	3,850
British West Indies.....	265,928	181,661	141,356	142,228	731,173	182,793	465,245	155,082	283,584	141,792
Canada.....	1,896	3,654	0	0	5,550	1,388	3,654	1,218	0	0
China, Republic of.....	170,026	121,473	71,269	81,156	443,924	110,981	273,898	91,300	152,425	76,212
Colombia.....	46,049	66,127	45,030	28,292	185,498	46,374	139,449	46,483	73,322	36,661
Costa Rica.....	29,888	26,629	40,637	40,526	137,680	34,420	107,792	35,930	81,163	40,582
Dominican Republic.....	333,405	861,523	539,969	398,462	2,183,389	545,847	1,849,984	616,661	988,461	494,230
Ecuador.....	35,999	66,861	56,482	57,920	217,262	54,316	181,263	60,421	114,402	57,201
El Salvador.....	11,467	19,137	18,955	20,571	70,130	17,532	58,663	19,554	39,526	19,763
Fiji Islands.....	0	15,754	48,565	54,517	118,836	29,709	118,836	39,612	103,082	51,541
France.....	0	0	22,935	845	23,780	5,945	23,780	7,927	23,780	11,890
French West Indies.....	75,000	43,706	94,297	34,286	247,289	61,822	172,289	57,429	128,583	64,292
Guatemala.....	9,781	32,870	51,050	37,251	130,952	32,738	121,171	40,390	88,301	44,150
Haiti.....	45,088	34,347	40,423	14,957	134,815	33,704	89,727	29,909	55,380	27,690
Hong Kong.....	20	43	0	0	63	16	43	14	0	0
India.....	170,868	144,677	118,963	110,553	546,061	136,265	374,193	124,731	229,516	114,758
Ireland.....	0	9,977	9,973	0	19,950	4,988	19,950	6,650	9,973	4,986
Malagasy Republic.....	0	0	0	11,559	11,559	2,890	11,559	3,853	11,559	5,780
Mauritius.....	0	13,475	66,605	0	80,080	20,020	80,080	26,693	66,605	33,302
Mexico.....	673,554	397,574	379,379	480,120	1,930,627	482,657	1,257,073	419,024	859,499	429,750
Netherlands.....	9,980	7,319	0	0	17,299	4,325	7,319	2,440	0	0
Nicaragua.....	30,525	47,129	38,392	50,340	166,386	41,596	135,861	45,287	88,732	44,366
Panama.....	7,137	3,774	10,183	19,216	40,310	10,078	33,173	11,058	29,399	14,700
Paraguay.....	3,440	0	0	0	3,440	860	0	0	0	0
Peru.....	625,583	530,312	413,418	232,780	1,802,093	450,523	1,176,510	392,170	646,198	323,099
Réunion.....	0	0	9,893	2,473	9,893	2,473	9,893	2,473	9,893	9,893
South Africa.....	0	93,091	132,272	119,980	345,323	86,331	345,323	115,108	252,232	126,116
Southern Rhodesia.....	0	0	10,589	10,260	20,849	5,212	20,849	6,950	20,849	10,424
Turkey.....	0	65,304	6,578	0	71,882	17,970	71,882	23,961	6,578	3,289
United Kingdom.....	1,550	1,742	11,907	0	11,907	2,977	11,907	3,969	11,907	5,954
Venezuela.....	0	0	0	0	0	0	0	0	0	0
West Germany.....	0	1	0	0	1	0	1	0	0	0
Total.....	4,300,188	4,955,725	4,555,215	3,586,572	17,037,700	4,259,424	12,737,512	4,245,838	8,141,787	4,070,893

TABLE VII.—*Entries and marketings of sugar in continental United States from all areas, 1900 to date*

[In thousands of short tons, raw value]

Year ¹	Total	Continental United States ²		Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba ³	Other foreign countries
		Beet	Mainland cane						
1900.....	2,418	92	312	252	36	(1)	25	353	1,348
1901.....	2,963	198	364	345	69	(1)	2	550	1,435
1902.....	2,574	233	373	360	92	(1)	6	492	1,018
1903.....	3,143	258	278	387	113	(1)	9	1,198	900
1904.....	3,023	259	415	368	130	(1)	31	1,410	410
1905.....	3,118	335	390	416	136	(1)	39	1,029	773
1906.....	3,359	518	273	373	205	(1)	35	1,391	564
1907.....	3,701	496	394	411	204	(1)	13	1,618	563
1908.....	3,331	456	415	539	235	(1)	19	1,155	512
1909.....	3,370	548	332	511	244	(1)	42	1,431	622
1910.....	3,789	546	355	555	285	(1)	88	1,755	205
1911.....	3,801	642	361	506	323	(1)	115	1,674	180
1912.....	3,927	742	163	603	367	(1)	218	1,593	241
1913.....	4,382	784	301	543	383	(1)	102	2,156	113
1914.....	4,431	773	247	557	321	(1)	58	2,463	12
1915.....	4,718	935	139	640	294	(1)	163	2,392	155
1916.....	5,000	878	311	569	425	(1)	109	2,575	133
1917.....	4,808	819	246	581	489		6	134	198
1918.....	4,430	814	285	540	336		4	87	84
1919.....	5,352	777	122	579	364		10	88	69
1920.....	6,337	1,165	176	550	413		13	146	993
1921.....	5,412	1,091	327	541	469		6	165	223
1922.....	6,807	722	296	568	360		6	275	53
1923.....	5,831	943	172	519	342		2	238	3,426
1924.....	6,463	1,166	90	677	393		2	339	3,692
1925.....	6,934	977	142	755	600		11	493	3,923
1926.....	7,024	960	48	747	559		6	380	4,280
1927.....	6,809	1,170	72	777	574		6	531	3,650
1928.....	6,691	1,135	136	878	674		11	575	3,249
1929.....	7,587	1,089	218	882	507		3	711	4,149
1930.....	6,683	1,293	215	868	809		6	794	2,645
1931.....	6,727	1,343	206	998	796		2	872	2,482
1932.....	6,303	1,319	160	1,048	940		5	1,028	1,791
1933.....	6,331	1,366	315	990	793		5	1,249	1,573
1934.....	6,574	1,562	268	948	807		5	1,088	1,866
1935.....	6,277	1,478	319	927	793		2	917	1,830
1936.....	6,833	1,364	409	1,033	907		4	985	2,102
1937.....	6,860	1,245	491	985	896		8	991	2,155
1938.....	6,619	1,448	449	906	815		4	981	1,941
1939.....	7,466	1,809	587	966	1,126		6	980	1,930
1940.....	6,443	1,550	406	941	798		0	981	1,750
1941.....	8,009	1,952	411	903	993		5	855	2,700
1942.....	5,555	1,703	407	751	836		0	23	1,796
1943.....	6,466	1,524	460	866	642		3	0	2,857
1944.....	6,942	1,155	515	802	743		3	0	3,618
1945.....	5,997	1,043	417	740	903		4	0	2,803
1946.....	5,657	1,379	445	633	867		5	0	2,282
1947.....	7,759	1,574	383	842	969		3	0	3,943
1948.....	7,084	1,656	456	714	1,013		4	252	2,927
1949.....	7,588	1,487	557	769	1,091		4	525	3,103
1950.....	8,279	1,749	522	1,145	1,053		11	474	3,264
1951.....	7,758	1,730	457	941	959		6	706	2,946
1952.....	7,991	1,560	579	972	983		6	860	2,980
1953.....	8,282	1,749	513	1,087	1,118		12	932	2,760
1954.....	8,240	1,802	501	1,040	1,082		10	974	2,718
1955.....	8,396	1,797	500	1,052	1,080		10	977	2,862
1956.....	8,992	1,955	601	1,091	1,135		13	952	3,089
1957.....	8,916	2,066	636	1,037	912		15	906	3,127
1958.....	9,076	2,240	680	630	823		6	980	3,438
1959.....	9,240	2,241	578	977	958		12	980	3,215
1960.....	9,522	2,165	619	845	896		7	1,155	2,390
1961.....	9,731	2,607	784	1,045	980		16	1,355	0
1962.....	9,797	2,415	787	1,084	904		11	1,256	0
1963.....	10,515	2,965	1,072	1,033	875		15	1,195	0
1964.....	9,109	2,699	905	1,110	793		16	1,217	0

¹ Data on fiscal year basis, 1900-18; calendar year basis, 1919 to date.² Crop year production, 1900-30—marketings for this period not available.³ Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; and 1947, 230,000 tons.

TABLE VIII.—*Entries (imports) of sugar into the continental United States from foreign countries other than Cuba and the Republic of the Philippines, 1960 to date*

[In thousands of short tons, raw value]

Country of origin	1960	1961	1962	1963	1964
Argentina.....	1	0	10	229	20
Australia.....	0	90	149	224	215
Belgium.....	1	2	2	7	0
Brazil.....	101	306	391	470	182
British Honduras.....	0	0	0	2	6
British West Indies.....	93	266	182	141	142
Canada.....	2	2	4	0	0
China, Republic of.....	10	170	121	71	81
Colombia.....	0	46	66	45	28
Costa Rica.....	11	30	27	41	41
Dominican Republic.....	450	333	861	590	398
Ecuador.....	0	36	67	56	58
El Salvador.....	6	11	19	19	21
Fiji Islands.....	0	0	16	49	55
France.....	0	0	0	23	1
French West Indies.....	0	75	44	94	34
Guatemala.....	6	10	33	51	37
Haiti.....	33	45	34	40	15
Hong Kong.....	0	0	0	0	0
India.....	0	171	145	119	111
Ireland.....	0	0	10	10	0
Malagasy Republic.....	0	0	0	0	12
Mauritius.....	0	0	13	67	0
Mexico.....	400	673	398	379	480
Netherlands.....	10	10	7	0	0
Nicaragua.....	40	30	47	38	50
Panama.....	6	7	4	10	19
Paraguay.....	0	3	0	0	0
Peru.....	274	626	530	413	233
Réunion.....	0	0	0	10	0
South Africa.....	0	0	93	132	120
Southern Rhodesia.....	0	0	0	11	10
Turkey.....	0	0	65	7	0
United Kingdom.....	2	2	2	0	0
Venezuela.....	0	0	0	12	0
West Germany.....	0	0	0	0	0
Total.....	1, 445	2, 944	3, 340	3, 360	2, 369

TABLE IX.—*Final basic quotas, Sugar Act of 1948, 1st year of act, each major extension, and recent years*
 [In short tons, raw value]

Area or country	1948	1953	1957	1960	1962	1963	1964
Total U.S. requirements	7,200,000	8,100,000	8,975,000	10,400,000	10,000,000	10,400,000	9,800,000
Domestic beet.....	1,800,000	1,800,000	1,948,357	2,267,301	2,795,769	2,990,127	2,689,590
Mainland cane.....	500,000	500,000	599,528	697,670	944,231	1,009,873	911,410
Hawaii.....	1,052,000	1,052,000	1,087,373	1,265,375	1,110,000	1,110,000	1,110,000
Puerto Rico.....	1,910,000	1,080,000	1,136,987	1,323,111	1,140,000	1,140,000	1,140,000
Virgin Islands.....	6,000	12,000	15,505	18,043	15,000	15,000	15,832
Philippines.....	982,000	974,000	980,000	980,000	1,050,000	1,050,000	1,050,000
Cuba.....	1,923,480	2,574,720	2,993,897	2,418,655	1,738,387	1,459,342	1,370,307
Other foreign countries.....	26,520	107,280	213,353	995,900	2,206,613	1,625,658	1,503,861
Withheld from Cuba for allocation to other countries.....							
Total.....	7,200,000	8,100,000	8,975,000	10,400,000	10,000,000	10,400,000	9,800,000

¹ Includes allocation to Argentina of 10,000 tons in 1962 and 20,000 tons in 1963 and 1964 and allocation to the Dominican Republic of 55,000 tons in 1962 and 130,000 tons in 1963 and 1964. These allocations were made from the Cuban reserve by Presidential Proclamation 3485 of July 27, 1962, pursuant to sec. 202(c)(4)(B) of the act.

TABLE IX (a).—*Proration of quotas for foreign countries other than Cuba and the Republic of the Philippines*

[In short tons, raw value]

Country	1948	1953	1957	1960	1962	1963	1964
Peru.....	5,903.6	50,109	77,124	138,827	132,939	206,243	192,096
Dominican Republic.....	3,542.2	26,641	60,420	130,957	191,534	326,243	322,096
Mexico.....	3,204.1	11,046	43,134	115,809	118,734	206,243	192,096
Nicaragua.....	5,429.2	7,550	11,588	19,766	18,193	27,043	25,183
Netherlands.....	115.7	3,435	4,427	9,105	1,970	21,823	20,326
Haiti.....	489.5	2,578	6,127	9,105	12,145	38,114	35,499
China.....	153.0	{	3,371	4,218	16,441	2	
Hong Kong.....			3	3	2		
Canada.....	299.7		631	631	316		
United Kingdom.....	186.2		516	516	258		
Belgium.....	156.3		182	182	182	182	182
Dutch East Indies.....	112.3						
Guatemala.....	177.9						
Honduras.....	1,823.3				8,325	21,823	20,326
El Salvador.....	4,360.3	3,992			4,221	11,065	10,306
Venezuela.....	154.0						
Czechoslovakia.....	130.8						
Costa Rica.....	11.0			4,202	12,215	27,048	25,193
Panama.....			3,367	4,218	8,116	16,280	8,832
British Guiana and British West Indies.....			3,371	84	37,447	98,050	91,325
Brazil.....	.7		84		74,694	195,793	182,363
Australia.....	.1				16,534	43,339	40,366
French West Indies.....					12,430	32,581	30,346
Colombia.....	.2				12,430	32,581	30,346
Ecuador.....					10,319	27,048	25,193
India.....					8,325	21,823	20,326
South Africa.....					8,325	21,823	20,326
Argentina.....	7.7				10,000	20,000	20,000
British Honduras.....					4,104	10,758	974
Fiji Islands.....					4,104	10,758	10,020
Ireland.....					5,000	10,000	10,000
Paraguay.....					4,104	10,758	
Other countries.....	13.1						
Unallotted reserve or unspecified countries.....	250.0	5,364			4,680	11,908	36,577
Total.....	26,520.0	107,280	213,353	432,945	2 837,387	2 1,459,342	2 1,370,307

¹ Italy, 1 ton; Japan, 2.1 tons.² Includes allocations to Argentina of 10,000 tons in 1962 and 20,000 tons in 1963 and 1964 and allocation to the Dominican Republic of 65,000 tons in 1962 and 130,000 tons in 1963 and 1964. These allocations were made from the Cuban reserve by Presidential Proc-

lamation 3485 of July 27, 1962, pursuant to sec. 202(c)(4)(B) of the act.

NOTE.—Except as indicated in footnote 2, this table does not include global allocations to countries from the Cuban reserve.

TABLE X.—*Sugar Act tax collections, 1938 to date*

Fiscal year	Sugar tax collections ¹		
	Excise tax ²	Import tax ³	Total
1938.....	\$30,569,130	\$2,680,298	\$33,249,428
1939.....	65,414,058	3,494,627	68,908,685
1940.....	68,145,358	5,456,207	73,601,565
1941.....	74,834,839	4,859,760	79,694,599
1942.....	68,229,803	4,088,963	72,318,766
1943.....	53,551,777	3,520,064	57,071,841
1944.....	68,788,910	5,097,940	73,886,850
1945.....	73,293,966	3,522,414	76,846,380
1946.....	56,731,986	3,231,592	59,963,578
1947.....	59,151,922	5,115,447	64,267,369
1948.....	71,246,834	3,284,502	74,531,336
1949.....	76,174,356	4,698,867	80,873,223
1950.....	71,183,029	4,091,155	75,279,184
1951.....	80,191,884	3,613,479	83,805,363
1952.....	78,473,191	3,621,210	82,094,401
1953.....	78,129,860	5,005,959	83,135,819
1954.....	73,885,000	4,498,368	78,383,368
1955.....	78,512,000	4,177,097	82,689,097
1956.....	82,894,000	4,806,321	87,700,321
1957.....	86,091,000	4,305,501	90,396,501
1958.....	85,911,000	4,957,798	90,868,798
1959.....	86,378,000	5,683,187	92,061,187
1960.....	89,856,000	5,099,473	94,955,473
1961.....	91,818,000	1,730,380	93,548,380
1962.....	96,636,000	1,328,980	97,964,980
1963.....	99,903,000	762,600	⁴ 100,665,600
1964.....	95,411,000	350,300	⁵ 95,791,300
Total tax collections, 1938-64.....			\$2,144,533,392

¹ Imposed at a rate of 0.465 cent per pound on sugar testing 92 sugar degrees and for each additional sugar degree 0.00875 cent per pound additional (equivalent to 0.50 and 0.535 cent per pound on sugar testing 96 and 100 sugar degrees, respectively). On sugar testing less than 92 sugar degrees the rate is 0.5144 cent per pound of the total sugar content.

² Collected by the Internal Revenue Service on all sugar processed or refined in the United States.

³ Collected by the Collector of Customs on direct-consumption sugar imported into the United States.

⁴ Excludes import fee of \$37,294,109.

⁵ Excludes import fee of approximately \$4,000,000.

TABLE XI.—*Sugar Act payments,¹ by areas, crop years,² 1937-63*

Crop year	Sugarbeet	Mainland cane	Hawaii	Puerto Rico	Virgin Islands	Total
1937.....	\$17,136,667	\$5,355,774	\$4,174,800	\$9,502,122		\$36,169,363
1938.....	22,073,345	6,311,779	8,594,431	8,871,084		45,850,639
1939.....	21,371,789	5,448,583	8,975,615	10,617,743		46,413,730
1940.....	23,262,539	3,887,750	8,851,542	9,566,735		45,568,566
1941.....	18,991,929	4,561,504	8,594,533	11,231,588		43,379,554
1942.....	29,770,909	6,955,080	8,147,494	13,122,990	\$26,320	58,022,793
1943.....	17,602,914	7,392,119	8,250,816	12,214,038	56,362	45,516,249
1944.....	18,632,477	6,646,061	8,210,656	13,061,033	41,380	46,591,607
1945.....	22,911,916	6,839,763	8,065,079	13,271,249	56,027	51,144,034
1946.....	27,735,230	6,536,104	6,574,448	15,060,552	66,758	55,973,092
1947.....	32,259,930	6,260,340	8,109,124	15,402,292	43,684	62,165,370
1948.....	23,206,938	7,202,755	7,628,611	17,667,677	64,142	55,770,123
1949.....	26,581,945	7,087,424	8,437,619	17,531,629	65,586	59,704,203
1950.....	33,744,012	7,826,663	8,471,294	17,148,914	138,510	67,329,393
1951.....	25,899,661	6,467,908	9,143,041	18,928,168	97,776	60,536,554
1952.....	24,735,741	7,977,490	9,398,138	16,960,951	145,120	59,217,440
1953.....	29,974,245	8,607,186	10,155,590	16,698,919	170,844	65,606,784
1954.....	33,224,656	8,051,294	9,932,469	16,220,824	127,750	67,556,993
1955.....	29,101,754	7,607,634	10,635,921	15,953,468	135,758	63,334,535
1956.....	31,287,969	7,330,693	10,179,146	14,683,659	167,144	63,648,611
1957.....	36,355,435	7,258,246	10,052,121	13,516,077	193,311	67,375,190
1958.....	36,208,052	7,396,467	7,430,239	14,870,174	124,977	66,029,909
1959.....	38,913,037	7,890,730	9,292,025	14,202,613	163,876	70,462,281
1960.....	39,283,331	8,167,785	8,778,759	14,939,018	124,881	71,293,774
1961.....	42,427,782	10,859,893	9,974,695	13,640,000	212,573	77,114,943
1962.....	43,219,476	11,470,112	10,176,611	13,109,629	139,033	78,114,861
1963.....	52,314,728	15,179,029	10,019,170	13,115,000	194,350	90,822,277
1964 ¹	52,901,539	14,825,000	10,563,180	12,039,300	190,352	90,519,371
Total.....						\$1,620,712,868

¹ Includes abandonment and deficiency payments.

² Payments for a crop year are made for the most part in the following fiscal year.

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TABLE XII.—Selected data for domestic sugar producing areas, on acreage, production, quotas, and payments, 1955-64
[All tons are raw value]

Domestic area and crop year	Acreage harvested for sugar ¹	Yields of sugar per acre harvested	Production of sugar	Quota charges	Unfilled quota		Jan. 1 effective inventory	Rate of Sugar Act payments per ton of sugar
					Basic	Adjusted		
Sugarbeet:	Thousands of acres	Tons	Thousands of tons	Tons	Tons	Tons	Thousands of tons	
1955.....	744	2.33	1,730	1,797,327	2,673	2,673	1,628	\$16.82
1956.....	789	2.50	1,971	1,955,252	0	0	1,547	15.87
1957.....	882	2.51	2,213	2,065,677	0	5,007	1,529	16.43
1958.....	895	2.47	2,214	2,239,852	0	52,636	1,669	16.36
1959.....	898	2.56	2,303	2,241,164	0	26,501	1,638	16.89
1960.....	862	2.57	2,474	2,164,692	102,609	350,253	1,696	16.32
1961.....	1,091	2.23	2,431	2,607,166	2,004	2,004	2,006	17.45
1962.....	1,101	2.36	2,595	2,415,182	380,537	84,818	1,818	16.65
1963.....	1,248	2.47	3,086	2,964,790	25,337	0	1,998	16.95
1964.....	1,389	2.35	3,265	2,698,514	76	76	2,124	16.20
Mainland sugarcane:								
1955.....	267	2.14	572	498,797	1,203	1,203	396	13.30
1956.....	233	2.39	557	601,369	0	327	465	13.16
1957.....	259	2.05	531	635,685	0	1,487	346	13.67
1958.....	254	2.28	578	680,552	0	40,253	244	12.80
1959.....	296	2.08	615	577,595	51,204	120,188	140	12.83
1960.....	304	2.07	630	619,047	78,623	154,826	177	12.97
1961.....	334	2.57	858	783,611	0	0	185	12.66
1962.....	368	2.32	852	787,354	156,877	7,646	256	13.46
1963.....	435	2.72	1,183	1,072,202	0	0	319	12.83
1964.....	546	2.10	1,147	905,511	5,899	5,899	428	12.93
Puerto Rico:								
1954-55.....	361	3.23	1,166	1,079,562	438	438	163	13.9
1955-56.....	353	3.26	1,152	1,134,769	5,484	6,329	138	13.8
1956-57.....	362	2.73	990	912,571	224,416	7,429	44	14.83
1957-58.....	328	2.85	934	823,034	343,341	0	6	14.47
1958-59.....	344	3.16	1,087	957,853	234,645	12,022	7	13.68
1959-60.....	328	3.11	1,019	895,784	427,327	0	12	13.94
1960-61.....	328	3.38	1,110	980,176	290,689	0	15	13.46
1961-62.....	309	3.27	1,009	904,030	235,970	0	10	13.52
1962-63.....	303	3.26	989	875,245	264,755	0	8	13.26
1963-64.....	303	3.26	989	792,788	347,212	122,212	13	13.26

Hawaii:	106	10.75	1,140	1,052,004	0	0	6	9.24
1955	107	10.28	1,100	1,091,282	0	23	49	9.25
1956	107	10.14	1,085	1,036,763	50,610	23,237	14	9.28
1957	84	9.11	765	630,175	484,304	69,825	18	9.71
1958	110	8.86	975	976,845	163,617	1,125	114	9.53
1959	104	9.00	936	844,788	420,587	95,656	78	9.38
1960	108	10.09	1,092	1,044,858	170,552	0	124	9.13
1961	109	10.31	1,120	1,084,179	25,831	0	116	9.06
1962	107	10.25	1,101	1,032,541	77,459	37,459	148	9.10
1963	111	10.62	1,179	1,110,000	0	0	93	8.96
1964								
Virgin Islands:								
1955	5	2.14	10	9,942	2,058	558	-----	13.28
1956	5	2.69	13	12,535	0	0	-----	12.97
1957	5	3.05	15	14,753	796	0	-----	12.80
1958	4	1.36	6	6,093	9,812	7	-----	20.89
1959	4	2.98	12	12,302	3,959	103	-----	13.06
1960	4	1.57	7	6,954	11,089	1,064	-----	17.92
1961	4	3.87	17	16,184	1,148	1,146	0	12.50
1962	4	2.65	11	10,751	4,249	249	0	12.64
1963	4	3.73	16	15,000	0	0	0	12.15
1964	4	3.55	16	15,856	0	0	1	11.90
All domestic areas:								
1955	1,483	3.11	4,618	4,437,632	6,368	6,368	2,193	13.77
1956	1,487	3.22	4,793	4,795,207	6,293	6,293	2,199	13.54
1957	1,615	2.99	4,834	4,665,459	122,291	37,160	1,933	14.18
1958	1,565	2.87	4,497	4,379,706	531,794	154,687	1,937	14.38
1959	1,652	3.02	4,992	4,765,759	255,741	159,939	1,892	14.25
1960	1,702	2.98	5,066	4,631,265	1,040,235	600,235	1,963	13.93
1961	1,865	2.95	5,508	5,431,995	464,391	3,150	2,330	14.24
1962	1,891	2.96	5,887	5,201,496	803,504	92,713	2,200	14.08
1963	2,097	3.04	6,375	5,959,778	367,551	37,459	2,473	14.25
1964	2,353	2.80	6,596	5,522,669	353,187	128,187	2,659	13.89

* Individual farm proportionate share established in hundredweight of sugar totaled 1,214,000 tons for 1954-55 crop and 1,222,000 tons for 1955-56 crop.

* National acreage allocations in years when production was restricted, with acreages planted in parentheses were as follows: Domestic beet sugar area—1955, 850 (793); 1956, 860 (823); 1957, 950 (912); 1958, 935 (927); 1959, 925 (921); and 1960, 985 (960); mainland cane sugar area (for sugar and seed)—1955, 299 (285); 1956, 259 (253); 1957, 296 (284); 1958, 292 (276); 1959, 314 (314); and 1960, 336 (330).

SUGAR

TABLE XIII.—World and U.S. raw sugar prices,¹ and sugar exports from selected countries to world and U.S. markets,² by month of shipment, 1962 through 1964

Year and month	Domestic sugar price (cents per pound) ¹	World sugar price (cents per pound)	Quota premium or discount (cents per pound) ⁴	Mexico (thousand short tons, raw value)		Dominican Republic (thousand short tons, raw value)		Peru (thousand short tons, raw value)		Brazil (thousand short tons, tel quel)	
				World	United States	World	United States	World	United States	World	United States
1962											
January.....	5.53	2.30	+3.23	0	64			0	52	13	17
February.....	5.46	2.36	+3.10	0	93			0	56		
March.....	5.54	2.65	+2.89	0	74	7	318	0	39	14	21
April.....	5.55	2.69	+2.86	0	51			0	49		
May.....	5.55	2.60	+2.95	0	75	6	188	0	37	6	16
June.....	5.57	2.63	+2.94	0	33			0	41	12	28
July.....	5.51	2.92	+2.59	0	0	0	84	0	16	35	14
August.....	5.66	3.24	+2.42	0	0			0	10	26	70
September.....	5.55	3.18	+2.37	0	0	16	313	0	62	0	92
October.....	5.63	3.28	+2.35	0	0			0	99	12	72
November.....	5.55	3.65	+1.90	0	0			0	29	11	71
December.....	5.55	4.29	+1.36	0	0			0	21	0	0
Average or total.....	5.56	2.98	+2.58	0	390	29	903	0	511	129	401
1963											
January.....	5.81	5.41	+4.0	0	0			17	88	3	77
February.....	5.91	6.06	+1.15	0	47	51	172	12	50	2	80
March.....	6.15	6.62	+1.47	0	67					0	0
April.....	7.37	7.65	+1.28	0	68						
May.....	10.17	10.36	+1.19	0	74	67	210	18	57	9	33
June.....	7.80	9.92	+2.12	0	20						
July.....	7.05	9.05	+2.00	0	38			7	39	0	16
August.....	5.75	6.63	+1.88	0	11			3	28	0	0
September.....	6.54	7.63	+1.09	0	26			15	33	34	37
October.....	8.49	10.67	+2.18	0	0	33	207	15	34	11	23
November.....	8.40	11.63	+3.23	0	0			13	64	14	56
December.....	7.84	10.36	+2.52	37	29			18	20	17	137
Average or total.....	7.27	8.50	+1.23	37	379	151	589	117	413	76	459

1964											
January	8.36	10.64	-2.28	0	33	25	56	96	44	20	0
February	7.09	9.11	-2.02	0	61					11	0
March	6.40	7.43	-1.03	0	53					16	0
April	6.51	8.05	-1.54	0	70			67	12	0	0
May	6.73	7.12	-1.39	0	88					0	0
June	6.53	5.33	+1.20	0	42					10	0
July	6.33	4.80	+1.53	56	64	291		9	20	11	46
August	6.26	4.37	+1.89					3	11		
September	5.28	3.71	+1.57					25	6	37	101
October	5.35	3.70	+1.65	11	68		357	17	65		
November	5.25	3.40	+1.85					11	54	11	33
December	5.63	2.76	+2.87					14	18		
Average or total	5.98	5.87	+1.11	67	469	316	413	242	230	116	180

¹ Source: Sugar reports, table on sugar prices.

² Source: International Sugar Council, statistical bulletin. Monthly data shown in table V on page 17.

³ After deducting duty and allowance for ocean shipping costs from the duty paid price, delivered at New York. Duty-paid price delivered at New York is shown on table V on page 17.

TABLE XIV

Raw Sugar Prices--Monthly Averages, 1948-1965

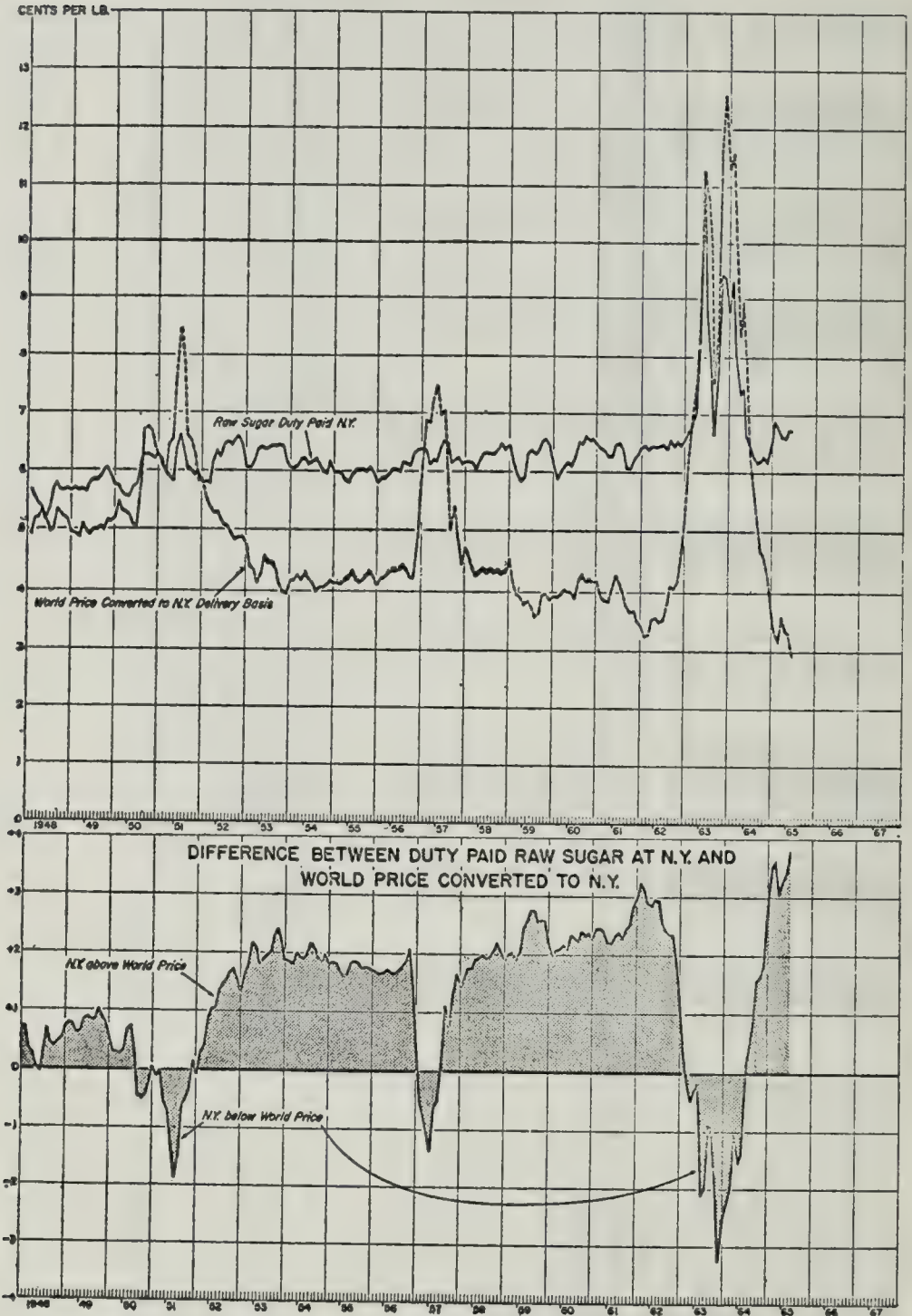


TABLE XV.—Retail price of sugar for selected countries arranged in descending order of total sugar consumption, Jan. 1, 1961-65

[U.S. cents per pound]

	1961	1962	1963	1964	1965
United States.....	11.9	11.6	11.8	14.1	11.6
United Kingdom.....	9.3	10.0	10.0	11.1	11.1
Brazil.....	4.5	5.0	5.0	6.1	6.1
India.....	10.5	10.0	10.2	11.6	(1)
West Germany.....	12.9	14.0	13.9	14.1	14.0
Japan.....	18.7	18.4	18.7	22.0	14.2
France.....	10.5	11.8	12.3	12.6	12.6
Italy.....	15.4	15.0	14.9	15.6	16.0
Mexico.....	5.5	5.6	5.6	5.6	5.6
Poland.....	13.5	13.5	13.5	14.6	(1)
Canada.....	9.6	9.0	10.3	17.9	8.8
Netherlands.....	11.7	12.2	13.7	13.9	14.0
South Africa.....	6.4	6.5	7.0	7.0	7.0
Australia.....	9.3	9.3	10.3	10.3	10.2
Yugoslavia.....	25.4	25.4	25.4	25.4	13.3
Belgium.....	13.0	14.1	12.7	12.5	13.9
Pakistan.....	17.0	14.1	15.3	17.1	18.0
Sweden.....	12.6	12.2	13.7	20.2	15.0
Hungary.....	20.2	20.2	20.2	20.2	(1)
Peru.....	2.8	3.7	3.7	5.1	5.8
Switzerland.....	9.1	8.6	8.8	12.7	11.2
China.....	9.1	10.0	12.3	13.4	13.4
Simple average.....	11.8	11.8	12.2	13.8	11.8

¹ Not available.

TABLE XVI.—*Sugar quotas¹ of foreign countries under administration bill at sugar requirements from 9,700,000 to 10,400,000 tons*

Country	[Short tons, raw value]							
	9,700,000	9,800,000	9,900,000	10,000,000	10,100,000	10,200,000	10,300,000	10,400,000
Western Hemisphere:								
Mexico.....	390,135	405,580	422,756	440,203	457,652	475,115	492,576	510,038
Dominican Republic.....	385,854	401,130	418,117	435,372	452,631	469,901	487,171	504,440
Peru.....	240,824	250,359	260,960	271,730	282,502	293,281	304,059	314,838
Brazil.....	221,558	230,329	240,084	249,991	259,901	269,818	279,734	289,651
British West Indies.....	122,017	126,849	132,220	137,676	143,135	148,595	154,057	159,518
Argentina.....	63,685	66,205	69,009	71,858	74,706	77,556	80,407	83,258
Ecuador.....	49,770	51,740	53,932	56,158	58,383	60,611	62,839	65,067
Nicaragua.....	40,672	42,282	44,073	45,892	47,712	49,532	51,352	53,173
Guatemala.....	35,321	36,719	38,275	39,853	41,434	43,014	44,595	46,176
Costa Rica.....	34,786	36,163	37,695	39,250	40,806	42,363	43,920	45,477
Colombia.....	27,829	28,930	30,155	31,400	32,645	33,890	35,136	36,381
Haiti.....	18,731	19,472	20,297	21,134	21,972	22,811	23,649	24,488
El Salvador.....	17,125	17,804	18,558	19,324	20,089	20,856	21,622	22,388
Panama.....	14,449	15,021	15,658	16,303	16,950	17,597	18,244	18,890
British Honduras.....	4,281	4,450	4,639	4,831	5,022	5,214	5,405	5,597
Venezuela.....	2,676	2,782	2,899	3,019	3,139	3,259	3,378	3,499
Total, Western Hemisphere.....	1,669,713	1,735,815	1,809,327	1,883,994	1,958,679	2,033,413	2,108,144	2,182,879
Rest of world:								
Australia.....	186,772	194,167	197,049	199,039	201,029	203,019	205,009	206,999
India.....	96,865	100,700	104,964	109,295	113,629	117,964	122,299	126,635
South Africa.....	96,865	100,700	102,188	103,228	104,268	105,308	106,348	107,388
China, Republic of.....	67,431	70,100	73,069	76,085	79,101	82,119	85,137	88,154
France, French West Indies, Reunion.....	50,841	52,521	54,201	55,881	57,561	59,241	60,921	62,601
Fiji Islands.....	45,489	47,290	49,092	50,893	52,694	54,495	56,296	58,097
Mauritius.....	14,865	15,578	16,291	17,004	17,717	18,430	19,143	19,856
Southern Rhodesia.....	9,098	9,458	9,818	10,178	10,538	10,898	11,258	11,618
Swaziland.....	9,098	9,458	9,818	10,178	10,538	10,898	11,258	11,618
Malagasy Republic.....	7,492	7,789	8,118	8,454	8,789	9,124	9,460	9,794
Ireland.....	2,226	2,226	2,226	2,226	2,226	2,226	2,226	2,226
Belgium.....	1,605	1,669	1,739	1,812	1,883	1,955	2,027	2,099
Turkey.....	1,605	1,669	1,739	1,812	1,883	1,955	2,027	2,099
Total, rest of world.....	590,287	613,325	628,953	643,426	657,881	672,287	686,696	701,101
Total foreign (excluding Philippines).....	2,260,000	2,349,140	2,438,280	2,527,420	2,616,560	2,705,700	2,794,840	2,883,980
Republic of the Philippines.....	1,050,000	1,060,860	1,071,720	1,082,580	1,093,440	1,104,300	1,115,160	1,126,020
Total.....	3,310,000	3,410,000	3,510,000	3,610,000	3,710,000	3,810,000	3,910,000	4,010,000

¹ The quota shown for the Republic of the Philippines is its own. For other countries, 42.23 percent of the amount shown represents its own quota and 57.77 percent represents its participation in the Cuban reserve.

NOTE.—Subject to (1) reduction for any increases in offshore domestic area quotas pursuant to sec. 202(a) (2) (B) of the act, and (2) increases (in the form of quota revision or allocations) resulting from the reallocation of deficits.

TABLE XVII.—*Foreign country quotas under H.R. 11135 as reported by House Committee on Agriculture*

Foreign countries	Quotas at the following levels of requirements—		
	9,700,000	10,000,000	10,400,000
(A) For countries in the Western Hemisphere:			
Mexico.....	340,925	381,266	443,927
Dominican Republic.....	340,925	381,266	443,927
Brazil.....	340,925	381,266	443,927
Peru.....	272,013	304,195	354,190
British West Indies.....	150,397	168,192	181,420
Ecuador.....	50,267	56,215	65,454
French West Indies.....	42,970	48,057	51,837
Colombia.....	42,970	48,057	55,955
Costa Rica.....	42,159	47,149	54,898
Nicaragua.....	38,511	43,067	50,145
Guatemala.....	32,836	36,721	42,756
Venezuela.....	30,809	34,454	40,117
El Salvador.....	30,403	34,001	39,589
Haiti.....	28,782	32,187	37,477
Panama.....	25,134	28,108	32,728
Argentina.....	21,485	24,028	27,977
British Honduras.....	19,864	22,214	23,961
Bolivia.....	4,054	4,534	5,279
Honduras.....	4,054	4,534	5,279
Subtotal.....	1,859,483	2,079,511	2,400,843
(B) For countries outside the Western Hemisphere:			
Australia.....	162,152	181,340	195,602
China, Republic of.....	67,293	75,257	81,176
India.....	64,861	72,534	78,239
South Africa.....	29,593	33,094	35,697
Fiji Islands.....	24,323	27,200	29,339
Thailand.....	19,864	22,214	23,961
Mauritius.....	14,188	15,867	17,115
Swaziland.....	6,081	6,801	7,336
Southern Rhodesia.....	6,081	6,801	7,336
Malagasy Republic.....	6,081	6,801	7,336
Subtotal.....	400,517	447,909	483,137
Total foreign (excluding Philippines).....	2,260,000	2,527,420	2,883,980
Republic of the Philippines.....	1,050,000	1,082,580	1,126,020
Total.....	3,310,000	3,610,000	4,010,000

TABLE XVIII.—*Inventories: Refined beet sugar, 1935-65*

[In thousands of short tons, raw value]

Year	Physical stocks, Jan. 1	Production after Jan. 1 ¹	Effective inventory, Jan. 1	Calendar year pro- duction ²	Calendar year de- liveries ³
1935	1,134	29	1,163	1,265	1,479
1936	920	32	952	1,411	1,365
1937	966	16	982	1,364	1,245
1938	1,084	28	1,112	1,748	1,449
1939	1,383	82	1,465	1,779	1,810
1940	1,351	63	1,414	1,802	1,552
1941	1,602	155	1,757	1,669	1,953
1942	1,319	71	1,390	1,677	1,703
1943	1,293	119	1,412	1,071	1,526
1944	838	47	885	1,066	1,156
1945	748	37	785	1,215	1,043
1946	920	102	1,022	1,452	1,379
1947	992	219	1,211	1,814	1,575
1948	1,230	267	1,497	1,465	1,657
1949	1,039	116	1,155	1,566	1,487
1950	1,118	159	1,277	1,899	1,749
1951	1,268	279	1,547	1,638	1,730
1952	1,175	182	1,357	1,521	1,580
1953	1,137	179	1,316	1,738	1,752
1954	1,123	315	1,438	1,989	1,806
1955	1,306	322	1,628	1,798	1,804
1956	1,300	247	1,547	1,960	1,982
1957	1,278	251	1,529	2,025	2,067
1958	1,234	435	1,669	2,241	2,242
1959	1,233	406	1,639	2,233	2,242
1960	1,223	473	1,696	2,440	2,165
1961	1,498	508	2,006	2,378	2,607
1962	1,269	549	1,818	2,515	2,415
1963	1,368	630	1,998	2,622	2,965
1964	1,025	1,099	2,124	3,371	2,700
1965	1,696		2,744		

¹ Sugar produced from beets planted previous year, except some small acreage in California where beets are planted in November and December and for crop year purposes, have been designated as beets of the year in which harvested.

² Includes sugar produced from proportionate and nonproportionate share beet acreage.

³ Includes deliveries for export and livestock feed.

⁴ Includes 26,000 tons delivered to Commodity Credit Corporation.

NOTE.—For continuation see Sugar Reports, December issue.

TABLE XIX.—*Inventories: Mainland cane sugar*

[In thousands of tons, raw value]

Year	Physical stocks, Jan. 1			Production after Jan. 1 ¹			Effective inventory, Jan. 1			Calendar year production			Calendar year quota marketings		
	Louisiana	Florida	Total	Louisiana	Florida	Total	Louisiana	Florida	Total	Louisiana	Florida	Total	Louisiana	Florida	Total
1935.....	60	---	60	4	17	21	64	17	81	340	28	368	291	28	319
1936.....	109	---	109	2	32	34	111	32	143	364	40	424	369	40	409
1937.....	124	---	124	4	44	48	128	44	172	403	60	463	431	60	491
1938.....	96	---	96	2	42	44	98	42	140	485	67	552	382	67	449
1939.....	199	---	199	8	68	76	207	68	275	442	100	542	487	100	587
1940.....	154	---	154	2	38	40	156	38	194	236	66	302	340	66	406
1941.....	50	---	50	2	70	70	50	70	120	322	100	422	312	99	411
1942.....	60	1	61	---	64	64	60	65	125	395	77	472	329	78	407
1943.....	126	---	126	2	48	50	128	48	176	401	62	463	399	61	460
1944.....	128	1	129	33	51	84	161	52	213	375	71	446	443	72	515
1945.....	60	---	60	27	49	76	87	49	136	376	79	455	344	73	417
1946.....	92	6	98	21	70	91	113	76	189	347	102	449	341	104	445
1947.....	98	4	102	5	62	67	103	66	169	271	77	348	304	79	383
1948.....	65	2	67	31	65	96	96	67	163	363	95	458	361	95	456
1949.....	69	---	69	65	50	115	132	52	184	471	78	549	480	77	557
1950.....	58	3	61	10	77	87	68	80	148	463	111	574	411	111	522
1951.....	110	3	113	3	74	77	113	77	190	296	112	408	353	112	465
1952.....	53	3	56	3	84	87	56	87	143	455	128	583	449	129	578
1953.....	56	2	58	1	110	111	57	112	169	476	157	633	397	116	513
1954.....	135	43	178	4	104	108	139	147	286	474	147	621	381	120	501
1955.....	229	70	299	7	90	97	236	160	396	453	135	588	381	121	502
1956.....	304	81	385	8	72	80	312	153	2 465	437	113	550	531	144	2 675
1957.....	211	48	259	---	88	88	211	136	347	396	139	535	485	151	636
1958.....	121	37	158	1	83	84	122	120	242	445	129	574	518	161	679
1959.....	48	2	50	---	91	91	47	83	140	440	147	587	433	145	578
1960.....	55	5	60	---	117	117	55	122	177	460	174	634	442	177	619
1961.....	74	1	75	10	100	110	84	101	185	625	173	798	614	170	784
1962.....	85	5	90	33	133	166	118	138	256	505	258	763	528	260	788
1963.....	63	2	65	---	255	254	62	257	319	733	414	1,147	662	414	1,076
1964.....	134	6	140	26	262	288	160	268	428	573	464	1,037	570	336	1,406
1965 ¹	137	133	270	23	371	394	160	504	664	600	550	1,150	560	540	1,100

¹ Sugar produced from cane cultivated during the previous year.² Includes deliveries to Commodity Credit Corporation of 3,000 tons in 1955 and 74,000 tons (Louisiana, 59,000 tons and Florida, 15,000 tons) in 1956.³ Estimated.

TABLE XX.—*Basic sugar quotas for foreign countries under H.R. 10496, H.R. 11135, and provisions of 1962 act which expired on Dec. 31, 1964, at sugar requirements level of 9,700,000 short tons, raw value (assuming in all those cases that domestic quotas have been increased by 580,000 to 6,390,000)*

[In short tons, raw value]

	Administra- tion's H.R. 10496	Agriculture Committee's H.R. 11135	Provision of 1962 act which expired Dec. 31, 1964
A. For countries in the Western Hemisphere:			
Mexico.....	164,754	190,066	150,886
Dominican Republic.....	162,946	190,066	150,886
Peru.....	101,700	151,646	150,886
Brazil.....	93,564	190,066	143,240
British West Indies.....	51,528	83,846	71,732
Ecuador.....	21,018	28,024	19,788
Colombia.....	11,752	23,956	23,836
Costa Rica.....	14,690	23,504	19,788
Nicaragua.....	17,176	21,470	19,788
Guatemala.....	14,916	18,306	15,966
Venezuela.....	1,130	17,176	0
El Salvador.....	7,232	16,950	8,095
Haiti.....	7,910	16,046	15,966
Panama.....	6,102	14,012	5,577
Argentina.....	26,894	11,978	0
British Honduras.....	1,808	11,074	0
Bolivia.....	0	2,260	0
Honduras.....	0	2,260	0
Subtotal.....	705,120	1,012,706	796,434
B. For countries outside the Western Hemisphere:			
Australia.....	78,874	90,400	31,706
China, Republic of.....	28,476	37,516	27,883
France, French West Indies, Reunion ¹	21,470	23,956	23,836
India.....	40,906	36,160	15,966
South Africa.....	40,906	16,498	15,966
Fiji Islands.....	19,210	13,560	7,870
Thailand.....	0	11,074	0
Mauritius.....	6,328	7,910	0
Swaziland.....	3,842	3,390	0
Southern Rhodesia.....	3,842	3,390	0
Malagasy Republic.....	3,164	3,390	0
Ireland.....	904	0	10,000
Belgium.....	678	0	182
Turkey.....	678	0	0
Subtotal.....	249,278	247,244	133,409
Cuban reserve.....	1,305,602	1,000,050	² 1,299,056
Withheld from net-importing countries and for non-performance.....			31,101
Subtotal.....	2,260,000	2,260,000	2,260,000
Republic of the Philippines.....	1,050,000	1,050,000	1,050,000
Total foreign, including Philippines.....	3,310,000	3,310,000	3,310,000

¹ Administration recommendations treat these as an entity and included in countries outside Western Hemisphere.

² Of this total 130,000 tons assigned to Dominican Republic and 20,000 tons to Argentina pursuant to Honey Bee amendment.

The CHAIRMAN. The first witness today will be the Under Secretary of Agriculture. Mr. Secretary, will you please take the stand and proceed with your prepared statement. The Chair will ask that the audience remain seated while the statements are all being passed around.

STATEMENT OF HON. JOHN A. SCHNITTKER, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN BAGWELL, GENERAL COUNSEL OF THE DEPARTMENT OF AGRICULTURE; AND TOM MURPHY, DIRECTOR OF SUGAR POLICY STAFF, DEPARTMENT OF AGRICULTURE

Mr. SCHNITTKER. Thank you, Mr. Chairman.

I have with me today, sir, Mr. John Bagwell, the General Counsel of the Department of Agriculture, and Mr. Tom Murphy, Director of the Sugar Policy Staff of the Department of Agriculture. I am glad to have this opportunity to appear before the committee to testify on H.R. 11135, the bill passed by the House to extend and amend the Sugar Act.

I would also like to refer to S. 2567 introduced by Senator Long and other Senators. On August 18, I appeared before the House Committee on Agriculture and testified on behalf of the administration's recommendations on sugar legislation. These recommendations are identical with the provisions of S. 2567, which has the administration's full support.

In a number of respects, the bill passed by the House yesterday is similar to the administration's recommendations. These I will merely describe as there appears to be rather general agreement on them.

H.R. 11135 would extend the Sugar Act 5 years to December 31, 1971.

Beginning with the current year, the marketing quota for the domestic beet sugar area would be established at 3,025,000 tons and the marketing quota for the mainland sugarcane area at 1,100,000 tons, to remain at those levels whenever the determination of national sugar requirements is between 9.7 and 10.4 million tons. The recommended quotas represent increases of 375,000 tons for the beet sugar area and 205,000 tons for the mainland sugarcane area as compared to present law, at a consumption level of 9.7 million tons.

At higher levels of consumption, the increases become progressively smaller and together would amount to only 125,000 tons when consumption reaches 10.4 millions tons. The two areas would share in future market growth when consumption exceeds 10.4 million tons and, conversely, the quotas for the areas would be reduced if consumption falls below 9.7 million tons—to the extent in both cases of 65 percent of such differences in total consumption.

Quotas for the offshore domestic areas would be the same as under present law, resulting in total basic quotas for the five domestic areas of 6,390,000 tons. The quota increases would enable the two mainland areas to market their current surpluses in an orderly fashion during the next few years with only moderate further curtailment of production. By 1971, it is probable that the relationship between domestic marketings and imports provided in the current act will have been virtually reestablished. Hence, the recommended term of the extension and the market sharing proposal are integral parts of a single plan.

An additional part of that plan in both H.R. 11135 and S. 2567 is that the sugarbeet acreage reserve program not be extended beyond 1966 except to protect the interests of those who have received the allocations authorized under the present provision of the law. Six new sugarbeet factories have been or are being constructed. In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of the extension.

Turning to provisions directly affecting foreign countries, a quota of 1,050,000 tons plus 10.86 percent of market growth between 9.7 and 10.4 million tons is provided for the Republic of the Philippines.

For other foreign countries, however, the allocation of quotas in H.R. 11135 is quite different from the recommendation of the administration. I want to discuss that after I have reviewed other points of agreement between the administration's recommendation and H.R. 11135.

Both would authorize the President, whenever it is in the national interest, to withhold the quota of any foreign country and prorate an equivalent amount of sugar to other foreign countries. Similarly, he could alter the usual method of allocating deficits to countries other than the Philippines.

Both bills would provide for reduction in all future years of the quota of a country which failed without justification to fill its quota in any year, including years when quotas may be suspended. The permanent reduction would be the amount of the shortfall or the difference between 115 percent of the preceding year's quota and actual imports in the shortfall year, if the latter quantity is the smaller. One practical effect of this provision is that countries would need to carry a 15-percent reserve for this market to assure against the possibility of permanent loss of quota rights. With respect to the four Latin American countries with large quotas, H.R. 11135 went beyond the administration's recommendation by increasing the reserve requirement from 15 to 30 percent in the first half of each year and maintaining the 15-percent requirement for the balance of the year.

All deficits in the quotas of domestic areas and foreign countries would be allocated to foreign countries with the Philippines having the same participation, that is, 47.22 percent in H.R. 11135 and in the administration's recommendation.

There are two minor differences: H.R. 11135 would provide for reallocation of deficits of countries which are members of the Central American Common Market within that group before general reallocation; and would allocate domestic area and Western Hemisphere country deficits to the Philippines and Western Hemisphere countries but would allocate Eastern Hemisphere deficits to Eastern Hemisphere countries. The administration had recommended that all deficits remaining after the allocation to the Philippines be prorated only among Western Hemisphere countries.

In other respects the bill passed by the House differs materially from the administration's recommendation. These differences can be considered in three main categories:

First, the House-passed bill does not allocate quotas to foreign countries on a performance basis, or, in fact, on any objective basis.

Second, the House-passed bill seriously weakens provisions which are necessary to stabilize sugar prices and promote an orderly market.

Senator GORE. Mr. Chairman, are we with the rule that he completes his statement before we ask questions?

The CHAIRMAN. Yes.

Mr. SCHNITTKER. It weakens the protection afforded U.S. consumers against excessively high prices and the protection to producers against excessively low prices.

Third, the House bill includes special consideration provisions with respect to both the allotment of mainland sugarcane and sugarbeet crop acreages and the allotment of sugar marketing rights in the two areas.

Regarding foreign quotas: The Cuban reserve quota would be reduced to 44.25 percent of total annual requirements after deducting domestic and Philippines quotas. The administration had recommended 57.77 percent as provided in the 1962 amendments. Both proposals would allocate the Cuban reserve, until such time as relations are resumed with that country, on a country-by-country basis.

The administration proposed that this be done in direct ratio to the permanent quotas of all other countries, except the Philippines.

The House-passed bill would do it in the same manner except that the portion of the Cuban reserve stemming from requirements in excess of 10 million tons would be prorated to only those countries which are members of the Organization of American States. The changed percentage for the Cuban quota reserve under the House-passed bill would reduce the participation in our sugar market which could be returned to Cuba, when that country rejoins the free world, from the range of 1.3 to 1.7 million tons down to the range of 1.0 to 1.3 million tons.

In 1962, the administration recommended and the Sugar Act amendment for that year provided for individual country quotas with the Cuban reserve allocated on a global basis. The combination of country quotas and a global quota which enabled the United States to obtain sugar from most world sources, worked well during the difficult 1963-64 period. Sugar was obtained when needed in much larger quantities from a number of countries than could have been foreseen in advance.

Now, however, and for the first time, countries have demonstrated what may be expected of them when supplies are scarce. This demonstrated performance makes it much safer to allocate imports on a country-by-country basis and to depend on obtaining sugar in any other manner only as an emergency measure prior to complete suspension of quotas.

Before 1960 all of our present foreign suppliers, other than the Philippines, had imported into the United States less than 300,000 tons annually in total. In the last half of 1960, in 1961 and 1962 large carryovers of sugar existed in many of the countries for which another market could not be found even at the low world price. These surpluses made possible exports to the United States at a higher rate than current production would have supported. The surpluses had disappeared by 1963. Hence, 1963 and 1964 are uniquely appropriate and available years to use as a base for allocating future import quotas.

The administration has recommended and S. 2567 provides that quotas and participation in the Cuban reserve be allocated to foreign countries on the basis that each country contributed toward our import

needs in 1963 and 1964, years in which they demonstrated both their willingness and their ability to service our market under the most trying circumstances, that is, when sugar was extremely scarce and when higher prices were available in other markets. In those years, every friendly country had the opportunity to export to the United States as much sugar as it wished. Some quota countries elected to increase their exports to other countries and reduce their exports to the U.S. market while others did not.

The administration believes that this performance approach is the safest method of assuring the needed level of imports not only during the extended periods when the United States is a premium priced market, but also in the exceptional periods when higher prices might be obtained by exporting to other destinations. We also believe that this is a method fair and equitable to each of our foreign suppliers. Each country would have, in effect, determined its own quota.

The years 1963 and 1964 constitute a recent period and the only period since 1957 when importation into the United States represented even a short-term hardship for our supplying countries. The administration also recommended that 1964 receive double weighting as compared to 1963.

Although our foreign suppliers sustained a price discount on their imports into the United States in 1963, the price disadvantage at the time they committed 1964 supplies was much greater, hence, the double weighting for that year's 1964 performance. Furthermore, when 1964 supplies were committed in the last weeks of 1963 and the first 2 weeks of 1964, sugar was much scarcer than in the early part of 1963 when that year's imports were committed.

During the time between February 1963 and June 1964, the price of raw sugar, duty paid at New York, averaged 8 cents per pound. On a comparable basis, this was $11\frac{1}{2}$ cents per pound above the customary price in the United States, but it was also $11\frac{1}{2}$ cents per pound or \$30 per ton below the average price in the world market. The value of a 10,000-ton cargo destined for the United States brought on the average \$300,000 less than it would have in other available markets. On some shipments, the difference was much greater and on others much less.

To sum up, the administration in consideration of the interest of consumers and of its relations with foreign countries strongly recommends to this committee that foreign quotas be allocated on an objective basis and believes that the basis which it has proposed is fair and equitable to all.

The House-passed bill assigns quotas and participation in the Cuban reserve on a subjective basis and thus affects sensitive foreign relations issues in a manner that will be embarrassing to this Government. I defer to the representative of the Department of State, however, on this matter.

The administration strongly urges that quotas be assigned strictly on an objective basis and has proposed for this purpose the performance of countries in supplying our market when sugar was scarce throughout the world.

In the second category of differences, the administration recommended provisions to protect consumers from excessively high prices and domestic producers, on the other hand, from prices so low as to prevent their continued operation.

Beginning from the consumers' standpoint: In addition to allocating foreign quotas to countries which had demonstrated their ability and willingness to service our market under adverse conditions, the administration's recommendation has another feature which is modified in the House passed bill, that is, authorization to the Secretary when necessary to obtain sugar quickly from any source available.

The administration had recommended that if the Secretary finds it impracticable to obtain additional needed foreign supplies by increasing foreign quotas in the usual manner either—

(1) because the requirements determination is increased very late in the year when shipping for minor quantities from 30 countries would not be available, or

(2) because limited sugar supplies and increased prices have created or are likely to create an emergency situation interfering with the orderly movement of foreign sugar to the United States, then he could obtain the needed sugar from any friendly foreign country on a first-come, first-served basis.

In an emergency situation, the President can suspend quotas and in fact, he did so twice in the early years of the Sugar Act. To avoid such action except as a last resort, the Secretary under this provision would be empowered while quotas are still in operation to obtain imports from any eligible source throughout the world at times when sugar is scarce and when domestic users presumably would be stockpiling in excess of current requirements.

In this kind of a situation, one or more of our 30 foreign suppliers would not be able to furnish his pro rata share. Some might be able to furnish far more and in fact during the term of the act, sugar might also become available from countries which would not have quotas. The recommended provision would make such increments of sugar available, thereby keeping sugar prices in the United States at more reasonable levels at times when the world price may be exorbitant.

The House bill continued this provision but with the following amendment:

In authorizing the importation of such sugar, the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products.

That is the end of the quotation from H.R. 11135.

The amendment negates the protection to consumers which the provision otherwise would have in an emergency. Under it, the Secretary would be required to give notice that he would receive during the period prior to a designated closing date, offers from countries for barterlike transactions. Of course, once the Secretary gives such notice, other importing countries realize that the United States is in the market for a substantial quantity of sugar but cannot consummate its arrangements for a given number of days.

During this period those which need sugar would come into the market and their very presence would force up the price and in some cases, reduce the immediately available sugar to a quantity less than that needed by the United States. It is difficult to say what value, if any, the provision can have as modified by the House. It can no longer be regarded as an effective way of getting sugar quickly. It no longer provides a means of protecting consumers from high world prices. It is doubtful if it would ever be used.

Regarding producer protection, in situations such as in the current year, with world sugar prices very low, the administration recommended authority to limit total imports during the first two calendar quarters of a year to guard against overly large importations in the early part of the year which would depress domestic prices. Whenever the world price is well below the domestic price objective, there is a tendency to seek the price premium available in this market the early part of the year despite the limitation imposed on annual imports from each country. Need for operating funds and limited storage facilities in sugar exporting countries accounts for this tendency. But it can be counteracted by limiting total imports in the first half of the year to the needs of the market.

The effectiveness of this arrangement was demonstrated this year when limitations on total imports were applied during each of the first three quarters. Despite the fact that the world price has averaged more than 3 cents per pound below the domestic price objective, the domestic price has been maintained all year at a level close to the statutory price reference point. This is in contrast to late last year before the announcement that time limitations on total imports were being considered for 1965. Until that announcement was made, the domestic price was about one-half cent a pound below the domestic price objective and was weak at the very time that our domestically produced sugarcane and sugarbeets were being harvested.

In the third category of the difference between the House and Senate bills, the House-passed bill provides special treatment for certain classes of sugarbeet and sugarcane farmers and processors. One provision would increase a farmer's proportionate share for 1965 up to the acreage now growing if the farmer has overplanted his acreage allocation by more than 200 percent. Planting time for 1965 crop sugarcane was in August of 1964.

Several months before that date, spokesmen for sugarcane growers had recommended at the public hearing that the 1965 crop be cut back about 15 percent below the 1964 crop, a recommendation which was adopted in the 1965 acreage order. This provision in the House bill would penalize cooperative growers and reward the noncooperative. It is grossly unfair to other sugar growers and should not be enacted.

Another provision of the House bill, would enable a particular processor of raw cane sugar who had withheld 1963 crop sugar from the market in late 1963—a time of scarcity, high prices and unlimited marketing rights—to obtain a substantially enlarged 1966 marketing allotment. The increase would be so large that he could market more of his 1966 crop than most other processors who had marketed in an orderly fashion through the years.

These provisions also would grant specialized treatment for two single factory beet sugar processors, and farmers in those factory districts, and enlarged marketing opportunities for relatively new raw sugar processors. During the years between 1960 and 1965 farmers could grow sugar crops and processors could market the sugar without governmental restrictions. The 1965 acreage allotment order in both areas gave great consideration to the problem of short-term growers. In these circumstances, the administration believes that the acreage allotment and sugar marketing provisions of the Sugar Act as now written provide the Secretary of Agriculture with sufficient

discretion to issue fair and equitable regulations without the amendments contained in H.R. 11135. In a period when both acreage and marketing must be substantially restricted, we believe that the burden should be equitably distributed among all.

Mr. Chairman, I urge that the committee favorably consider S. 2567. A section-by-section analysis of this bill was transmitted with Secretary Freeman's letter of August 17 to the Vice President.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Any questions?

Senator LONG. Mr. Secretary, you have a good bill here, as I see it. Might I ask you why this bill has to be passed this year?

Mr. SCHNITTKER. Well, it is necessary that it be passed this year, first of all, because of the need to authorize domestic cane and sugar areas, processors, in effect, to market additional quantities of sugar both to reduce very heavy stocks which they have, and to provide sufficient quantities of sugar for the remainder of this year in the U.S. market without creating chaotic conditions which would otherwise result if we had to fall back upon authority which is now in the Sugar Act.

On the foreign side, sir, it is very important to U.S. consumers that foreign countries know at the earliest opportunity what their prospects are in the U.S. market so that they can continue to supply the U.S. market surely.

Senator LONG. As I understand it, you are thinking about the type of situations that exist in my State. We have two companies we put in business back at the time when this Nation had a shortage of sugar and couldn't get enough sugar to provide the market. We loaned them some Federal money to put them in business and now they are in bankruptcy because the law says they can't sell their sugar. They are controlled on the acreage, but the acreage controls are not what is killing them. What is killing them is the fact that the law says they can't sell the sugar, and we need to amend that law so they can sell it.

Mr. SCHNITTKER. Of course, the law which says that these two companies cannot sell additional quantities above a certain level is the same law which applies to all other sugar processors. It happens that some are in—in several areas—a particularly difficult situation being new processors, more so than other refiners.

Senator LONG. Well, you have about a dozen of them around the country, don't you?

You have 2 in Louisiana, but across the country about 12, as I recall.

Mr. SCHNITTKER. Yes, this is right, this is correct.

Senator LONG. Right.

Furthermore, as I understand it, you would reward those countries and those producers who provided us with sugar at a time when sugar was in very scarce supply, so you would like to change the quota system to put a bonus on those who helped us when we needed the help, and to do less for those who did not help us when we asked for some help.

Mr. SCHNITTKER. That is correct, the countries which helped us in a recent period when there was great stress in the sugar market and where they demonstrated their ability to supply this market under fairly adverse conditions. We believe those are the kind of countries

which can guarantee U.S. consumers supplies and, therefore, relatively stable prices in the years ahead.

Senator LONG. All right.

Now, here is one thing I don't understand. I asked Mr. Murphy about this when he was up here during the time we had a shortage of sugar. Why don't we put in this bill a two-way requirement? If we are going to pay these people a premium for sugar why don't we put in there that they will deliver it. I have never in my life seen a sales contract where somebody agrees to pay and the other guy won't agree to sell. So, why don't we put in the contract they will agree to sell it? I think it is a completely ridiculous provision to say we will pay somebody a premium without putting on the other end of the contract that he will sell it. Why don't you want us to say, "I will pay you a premium price when you sell my sugar," without saying all right, the other guy agrees to sell.

Mr. SCHNITTKER. Well, we would not pay for the sugar if it is not actually delivered to us. You are asking, sir, I believe, about some requirement that countries deliver the amount of sugar which they are authorized to.

Senator LONG. Yes.

Mr. SCHNITTKER. I say I don't know how we could make that operate.

Senator LONG. All you have to do is do something that any businessman on earth will do. A businessman would say, "I will pay you a premium but I want you to sign a contract that you will deliver." It is completely ridiculous to suggest that you pay a guy twice the price and yet he doesn't have to agree to sell.

So, if the price goes up he hasn't got to deliver. Then you go begging. That is the most ridiculous thing I ever heard of as a lawyer. I would say any lawyer who would draft that contract ought to be fired. Why would you sign a contract that would say you would pay a guy twice the price for a future crop, and he does not agree to deliver, so that the world market price goes up to four times the price, and he says, as he did the last time, "I didn't agree to sell. All I agreed to do was to sell if and when I thought that it was to my advantage to do so."

Why would you do that?

Mr. SCHNITTKER. If I may, Senator, defer the—

Senator LONG. If I were a lawyer advising a client I would say he would be a fool to sign that kind of a contract.

Mr. SCHNITTKER. I think as individual business companies and operators this is correct. But the situation is somewhat different among sovereign governments, and we do have in the proposed act, sanctions against the countries which, we think, are strong enough to cause them to deliver to this market under any circumstances because if they don't deliver in any given year, and there is no cause for this failure of delivery, their quotas in subsequent years are permanently reduced.

Senator LONG. Let me say this, Mr. Secretary, I have seen a lot of people up here talk to me about sugar, and I haven't found one of them yet who wouldn't say freely, "Yes, we would agree to deliver, we would sign the contract and we will deliver, we will be tickled pink to sign that contract that says we will deliver, if you will buy at a

premium price," and all you have got to do is write in the contract—I will make you a bet you won't find a single fellow who will back down. You are talking about rewarding some fellow who could deliver when you couldn't get sugar, why don't you put in the contract that he ought to deliver.

I understand this, you can't enforce a contract against another sovereign government unless he agrees to do that. I understand that. You might take him before the World Court but you couldn't enforce that. But why don't you at least make him agree to it?

Mr. SCHNITTKER. I can't respond further to this, Senator.

Mr. Bagwell has a comment.

Mr. BAGWELL. Senator, these contracts for the sale and purchase of sugar are between private parties.

The U.S. Government doesn't get involved in these.

We do have a provision in this bill that those countries that fail to fill their quota will in future years have their quota reduced and I think that is incentive enough for them to deliver the sugar.

Senator LONG. Well, if I drew up a contract for my client, and if it said that he was going to pay a premium price and the other guy did not agree to deliver, I would feel that I should be fired. It is supposed to be a two-way contract, I am supposed to look after my client, and you are supposed to look after the United States of America.

Why don't you put in the contract he is supposed to deliver?

Mr. BAGWELL. This contract is between the purchasers of sugar in this country and refiners in foreign countries and we don't actually know of any case where they entered into a contract and failed to carry it out. The difficulty was they simply didn't offer to sell it and there was no purchase of it in this country.

The problem hasn't been failure to deliver on contracts that were executed; it is the fact they simply didn't—

Senator LONG. You don't have Orville Freeman up here and you don't have Mr. Murphy up here on purpose. You boys came here to testify for them. At a time when we couldn't get the sugar, if I do say it, at least they sent Murphy up here to testify, and I asked him "Why didn't you put in the contract that they will deliver." We had a worldwide shortage of sugar, and they were selling it for four times the ordinary price.

We were begging for sugar. We had been giving these people a premium price all these years, and then they wouldn't deliver sugar when we needed it.

Mr. SCHNITTKER. Senator, I believe you and I would agree that we could not enforce contractual provisions with sovereign governments.

Senator LONG. Yes, but you could at least make them promise. You could make them promise to do it. Even if they break their promise, make them say they will do it.

Mr. SCHNITTKER. We have done it.

Senator LONG. You don't even ask for it. All you do is say, "Look, we will pay you twice the price." What is at the other end of the contract? Nothing, just zero. He will sell to you at twice the price if it suits his convenience. That is your bill.

Why don't you put in the bill that he agrees to sell it? Like a treaty, if he breaks his treaty go to war or take him before the World Court.

Mr. SCHNITTKER. I would have to get further advice to really respond more to the question, but we have the next best thing, which are sanctions and even among business corporations and business transactions a person cannot be forced to deliver, but he can be penalized. You can invoke some sanction against him, and this is what is usually done, even in a private business transaction which is exactly what we proposed to do against the government, against the country.

Senator LONG. All it is is a foreign aid program as far as the premium is concerned because you give the guy twice the price that he doesn't agree to deliver to you.

Why don't you put in the contract that he agrees to deliver, just like you do in the treaty:

We will pay you twice the price that we can foresee. We will pay you twice what we think the world price will be at that time, but in the event there is a shortage you will deliver to us at the agreed price.

Mr. SCHNITTKER. I am sorry, I just can't add anything further.

Senator LONG. Take the fifth amendment. [Laughter.]

It is ridiculous now. I am going to offer the amendment and I think the committee will agree with that. I have talked to a lot of people who want to increase their quotas, either trying to increase their quotas or trying to get back what Harold Cooley took from them, in either event they are all willing to deliver.

They are not asking for it. They would be a fool to ask for it. Why would you draft a contract like that? You pay twice the price and the other guy doesn't agree to give you anything.

Mr. BAGWELL. Again, may I say we don't prepare these contracts. Under the law, the country has the right to bring the sugar in but I know of no way that we could force them to bring the sugar to us. I think the price here, you indicate the price is a premium price, I think that will be attractive enough to get it in most instances.

We did face the situation a couple of years ago when the incentive wasn't operating.

Senator LONG. What is this premium price worth to these countries? As I recall, you are short about 4 million tons. What is that worth to them against present prices?

Mr. SCHNITTKER. At present prices, \$65 a ton.

Senator LONG. Well, OK, so you are giving them \$260 million. So you are buying \$260 million worth of sugar for \$520 million. Why don't you make them agree to deliver the sugar? They are selling it for twice the price. They would be tickled pink to sign that contract, break the door down to sign it. Why don't you make them agree just to deliver?

Mr. SCHNITTKER. As I said, Senator—

Senator LONG. Maybe you couldn't enforce it but you could get a promise out of them. You don't even have that by your contract.

Mr. SCHNITTKER. It would not seem to me very useful to extract a promise contract on which we don't expect performance.

Senator LONG. You mean you don't expect these folks to deliver. You are rewarding people right in your bill because some folks did and some folks didn't.

Mr. SCHNITTKER. On which we don't expect performance because of the contract. We have something better we think in the attraction of the premium price and in the sanctions which would go into effect

automatically if they do not deliver, adequate safeguards. The contract, I think, would be first of all only a token contract, and would be unenforceable.

Senator LONG. I don't understand why you would be coming in here rewarding some fellow because he sold you sugar and some other guy because he didn't sell you sugar, when you never asked these guys to promise to deliver in the first place. You left it completely willy-nilly. You just passed a foreign aid bill to give \$260 million away, and then you come in here and say we will reward the guy who delivered. Why do you want to reward him? He never promised to in the first place, all you did was to go begging for sugar.

Mr. SCHNITTKER. We believe, sir, he will in all cases deliver, hence there would appear to be no need for a contract.

Senator LONG. One other point.

Chairman Cooley has been pretty well crucified in the press about this matter. Is there anything sacred about that formula you boys worked out? You can't change it?

Mr. SCHNITTKER. It isn't written in stone.

Senator LONG. Did the President work it out or did you fellows work it out down there between you and the Department of State?

Mr. SCHNITTKER. This matter was worked out as matters usually are by the executive department, Department of Agriculture and State, primarily, along with other executive agencies. The bill is a recommendation of the administration, and hence was approved by the President. We believe that the formula is the best one. I would not argue that minor modifications could not be made in it leaving it substantially the same. Nonetheless, it is a formula, whereas the House allocation of foreign quotas represents no formula at all.

Senator LONG. How would you know? Did you discuss this matter with Mr. Cooley to find out why he and Mr. Poage and the other people on their committee arrived at a conclusion different from yours?

Mr. SCHNITTKER. We have not been able to ascertain that there was any objective basis behind the allocation of quotas in the House bill. I have read, I have not discussed it with Mr. Cooley, I have read the small document which was issued by the House committee which indicated their objections to the administration formula and the basis on which they allocated quotas in the House bill.

Senator LONG. The one thing that troubles me is that I have gone into conference with these House fellows several times and they don't testify before our committee but when you meet these fellows in conference and you ask, "Well, why did you do this" they usually come up with very good reasons and good arguments.

They don't just appear to be as you describe them, people who have no logic, no reason, acting on complete whim and caprice. They usually have very good reasons.

For example, I don't agree with them that they acted correctly on cutting that Mexican quota but they say, "Well, we are in trouble down there with the Dominican Republic, and called on Mexico for help and Mexico fought us, why should we reward them."

In other words, they come up with logic like that which surprises me because we don't hear them testify to it on this side. All we hear are your arguments, you say there is no logic, no pattern, no nothing, but when you go to conference with these fellows they make very good arguments.

Mr. SCHNITTKER. We believe that the sugar quotas ought to be allocated primarily on the basis of performance in the sugar market, and on the basis which will give the best chance of protecting the U.S. consumer from high prices and, of course, the U.S. producer from unreasonably low prices. Mexico, which is one country you mentioned, did perform very well in 1963 and 1964.

Some other countries whose quotas were not so large in the administration's recommendation did not perform so well, and since we are trying to stick to an objective basis, a sugar supply basis, much more than a political basis, our formula comes out differently than the House formula.

Senator LONG. Thank you.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. I noticed you have endorsed S. 2567, but we have before us H.R. 11135 which was passed by the House.

I am asking you this question: Suppose that bill is brought up, are you for it or against it?

Mr. SCHNITTKER. Suppose the——

Senator WILLIAMS. House bill. Would you rather see it passed or defeated as it is?

Mr. SCHNITTKER. We would have very grave reservations about final enactment of the House bill and almost entirely on the ground of the foreign quotas.

Senator WILLIAMS. You think it would be better to take no action at all than to enact the bill as passed by the House at this time; is that the answer?

Mr. SCHNITTKER. I would not say yes to this question at that time but I would defer to Mr. Mann who will testify later for the State Department on this point because the question of foreign quotas is the biggest issue on which we disagree with the House bill.

Senator WILLIAMS. I realize that, and if we pass the House bill as it is I realize we are committed for 5 years. That is the reason I am asking you the question; there is no way for the Senate to vote maybe. We must either say yes or no, I am just wondering what the position of the administration would be. I am not asking you to support the House bill; I don't myself. But if it boils down to that——

Mr. SCHNITTKER. Senator, the administration, to my knowledge, has not faced this question yet because we have great confidence that the Senate can pass a better bill than the House, and that the two bodies can reach an accord on a better bill, particularly in regard to foreign quotas than the House bill. But we will take that up when the time comes. I realize it may come very soon.

Senator WILLIAMS. The time is here now, and I want an answer from you before we act.

We are caught in this position: As you well know, if the House bill passes the Senate there is nothing in conference. So the question will have to be answered, and I think the administration should take a strong position where it stands because I think it is the only way that we can be successful in changing it.

Mr. SCHNITTKER. Senator, we could have an answer to that question as you proceed today.

Senator WILLIAMS. Now, under the existing law concerning this sugar that comes in, the foreign importers are getting about 6 cents, aren't they?

Mr. SCHNITTKER. About 51½ cents, yes.

Senator WILLIAMS. About 51½ cents. What is the tariff or import fee?

Mr. SCHNITTKER. The tariff is 62½ cents per hundredweight.

Senator WILLIAMS. All right, and that is the only tax they have to pay as it enters this country; is that correct?

Mr. SCHNITTKER. At the present time, yes.

Senator WILLIAMS. We did have a special import fee heretofore; and under that we recovered what percentage of the difference between the world market and our domestic market?

Mr. SCHNITTKER. I am going to ask Mr. Murphy to answer that; he is not such a newcomer to sugar, sir, as I am.

Mr. MURPHY. Senator, that provision was in effect from the middle of 1962 through the end of 1964 when it expired, and on the Cuban reserve sugar, the fee amounted to the difference between the domestic price and the world market price.

Senator WILLIAMS. That is a hundred percent?

Mr. MURPHY. A hundred percent on that portion of the imports.

Senator DOUGLAS. You haven't answered the question. The Senator from Delaware asked how much total in money was recovered.

Senator WILLIAMS. I was asking percentage first and then I was going to get to money, too.

Senator DOUGLAS. Excuse me.

Mr. MURPHY. On sugar from the Republic of the Philippines there was no fee. And on sugar within the quotas for other countries there was a fee of 10 percent of the market differential in the last half of 1962, 20 percent in 1963, and 30 percent in 1964.

Now, the amount of money recovered in the latter part of 1962 was about \$37 million and in the very late part of last year was about \$4 million.

The price of sugar in the world market in the interim period from early 1963 until the middle of 1964 was higher than the price in this market, so there was no fee in effect.

Senator WILLIAMS. Did you collect on all of the sugar that was committed for delivery into this country during the year of 1964, or was part of that waived?

Mr. MURPHY. Almost all of it was not subject to any fee, and the reason was this: Late in 1963, the price of sugar in this country was well below the world price. It was assumed that the price of sugar in the United States, beginning in 1964 would inescapably go up to the world price.

Fortunately, it was possible to get countries to commit enough of their sugar to convince the market that the United States had its requirements for 1964 established.

Now, at the time of that commitment, there was no fee. As a matter of fact, the countries assumed they were going to take a loss of about \$45 a ton.

Senator WILLIAMS. Did they?

Mr. MURPHY. They did in some instances and in some instances they did not. If they delivered the sugar after the first of the year—sometime in June—they actually got more than they would have gotten in the world market at that later time.

Senator WILLIAMS. But they still paid no tax?

Mr. MURPHY. They still paid no tax because the sugar was all committed when there were better opportunities in other markets.

Senator WILLIAMS. My question is, under what authority could the administration waive that tax which was in effect up until the end of 1964? I thought that it was a mandatory tax.

Mr. MURPHY. Well, it was. The administration waived nothing. Under the bill, rather under the Sugar Act of 1962—

Senator WILLIAMS. You didn't collect it though, did you? You didn't collect a tax which was on the books; isn't that true?

Mr. MURPHY. We did collect the tax on the sugar that was committed to our market very late in 1964 when there was a premium in our market, we collected each dollar of that tax.

Senator WILLIAMS. Perhaps I misunderstood you. I thought you said some of the sugar came in during that period in which there would have been a tax due, and—is that correct?

Mr. MURPHY. That is correct, sir.

Senator WILLIAMS. And you did not collect the tax?

Mr. MURPHY. That is right.

But there is a reason for the difference in the two situations. The reason is that the law provided that the Secretary would determine what the fee should be from time to time, and once that determination was made countries could undertake to fix the fee not only on deliveries that day or that week, but for months ahead.

Senator WILLIAMS. I don't altogether quarrel with what you did. It may have been proper, but I raise the question as to how you did it because I thought that the tax was in effect. What is the use of our passing these laws if you arbitrarily waive them?

I wish you would furnish for the committee a complete list of what the tax would have been had it been imposed and collected until the end of 1964 as it was provided in the law, along with the names of the companies involved, the countries, the tonnage, and the dollar volume as to what was waived and include your reasons therefor.

I wish you would furnish it for the record.

Mr. MURPHY. Senator, we will certainly do that. Can I make one comment, though?

Senator WILLIAMS. Sure.

Mr. MURPHY. The Government did enforce the law just as it was written, and we will furnish the details for the record.

Senator LONG. May I ask that information be provided today? You can do that today if you get to work on it. I will ask you to do it now.

Mr. MURPHY. Yes.

(There was insufficient time to compile the complete data by individuals and for each country for inclusion in the printed record; however, the following data was submitted:)

AMOUNT WHICH WOULD HAVE BEEN COLLECTED UNDER THE VARIABLE IMPORT
FEE PROVISIONS OF THE SUGAR ACT ASSUMING FEE APPLICABLE AT TIME
OF IMPORTATION

Arrangements for the sale of sugar through commercial channels are usually worked out well in advance of the time that the sugar actually arrives in the United States.

From the viewpoint of both the buyer and seller, the market price in alternative markets is important at the time of commitment rather than at the later time when delivery occurs. Once commitment is made, the alternative opportunity ceases to exist.

The import fee provisions of the Sugar Act Amendments of 1962 provided that the " * * * payment shall be made in accordance with regulations promulgated by the Secretary." Shortly after the amendments were enacted, at the request of persons who import sugar into the United States, the Department developed regulations that enabled importers to establish the amount of the fee at the rate in existence at the time quota was set aside for a given quantity of sugar to be imported at a later date by entering into a contract and supported by a letter of credit for the amount of the fee. Under this procedure, importers could then contract for the purchase of sugar in foreign countries, and arrange charters for shipping. They would have all the relevant information; namely, market cost of the sugar, fee to be paid to the U.S. Government at the time of importation, and shipping costs.

The adjustment of the fee did not affect the amount payable with respect to any sugar covered by contract for the set-aside of quota. Sugar not covered by contract for set-aside of quota would be subject to the newly adjusted fee, higher or lower.

Late in 1963 the domestic price for raw sugar was well below the world price. Since our import needs for the balance of that year had been arranged, this did not bring immediate upward pressure on our domestic price. It was widely believed, however, that when the United States went to market for its 1964 import requirements, the U.S. price would inescapably rise to the level of the world price.

Two actions were taken to offset this belief. First, the Secretary of Agriculture announced that he would recommend to the Congress unlimited marketings of domestically produced sugar during calendar year 1964. This served as notice that the United States would actually need about 500,000 tons less sugar imports than had been previously expected.

Second, during the final days of 1963 and the first 2 weeks of 1964 the United States was successful in getting the reduced quantity of imports committed to this market. At that time there was no fee in effect since the world market price was more than 2 cents a pound higher than the domestic price. Had the effort not been successful, the U.S. price would have risen to the world level.

The world price continued above the domestic price through May 1964. Thereafter it fell below the domestic price and continued to fall, finally to less than 2 cents a pound in June of this year.

The attached exhibit A shows that \$56.4 million would have been collected in 1962, 1963, and 1964 on the assumption that prices in the two markets would have been identical with what they actually were and if the fee on imports had been fixed at time of entry of the sugar rather than at time of commitment. The total amount of fees actually collected amounted to \$41.2 million and no fees were waived.

The exhibit does not reflect how much more consumers would have paid during this period, not only for imported sugar but for all sugar consumed in the United States, had our price been permitted to rise to the world market level. However, the attached exhibit B shows that on imports of sugar from our foreign suppliers consumers saved of the order of \$158 million.

EXHIBIT A.—Import fees on sugar—Assuming the fee rate had been based on the average “quota premium” for the month the sugar was imported

Year and month	Quota premium ¹		Raw sugar imported as—		Import fees applicable to sugar imported as—		
	Cents per pound	Per short ton	Basic or deficit quota (raw value)	Global quota	Basic or deficit quota ²	Global quota ³	Total, col. 5 plus col. 6
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>1962</i>							
July.....	2.59	\$51.80	57,451	42,549	\$297,596	\$2,204,038	\$2,501,634
August.....	2.42	48.40	124,602	84,394	603,074	4,084,670	4,687,744
September.....	2.37	47.40	221,215	216,785	1,048,559	10,275,609	11,324,168
October.....	2.35	47.00	336,671	139,329	1,582,354	6,548,463	8,130,817
November.....	1.90	38.00	259,329	93,671	985,450	3,559,498	4,544,948
December.....	1.36	27.20	163,484	12,516	444,676	340,435	785,111
<i>1963</i>							
January.....	.40	8.00	56,326	150,590	90,122	1,204,720	1,294,842
February.....	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
<i>1964</i>							
June.....	.20	4.00	148,501	74,051	178,201	296,204	474,405
July.....	.53	10.60	148,618	34,957	472,605	370,544	843,149
August.....	.89	17.80	127,106	122,946	678,746	2,188,439	2,867,185
September.....	1.57	31.40	120,383	178,231	1,134,008	5,596,453	6,730,461
October.....	1.65	33.00	190,563	96,940	1,886,574	3,199,020	5,085,594
November.....	1.85	37.00	284,843	0	3,161,757	0	3,161,757
December.....	2.87	57.40	231,091	0	3,979,387	0	3,979,387
Total.....							⁵ 56,411,202

¹ Quota premium equals spot price of raw sugar, duty paid New York City minus comparable world price.

² Col. 3 times col. 2 times 10 percent (for 1962), 20 percent (for 1963), 30 percent (for 1964).

³ Col. 4 times col. 2.

⁴ February 1963 through May 1964 the domestic price was less than comparable world price.

⁵ This figure compares with actual collections of \$41.2 million.

EXHIBIT B.—*Losses by foreign suppliers during 1963 and 1964 when world market price exceeded U.S. price for sugar (assuming all sugar sold at average price sacrifice during period; actually some was sold more advantageously, some less so)*¹

Country	Quantity imported, February, 1963–May 1964 (short tons raw value)	Total amount of loss during period (thousands of dollars)
Argentina.....	234, 299	6, 841
Australia.....	184, 603	5, 390
Belgium.....	7, 462	218
Brazil.....	464, 978	13, 577
British Honduras.....	5, 195	152
British West Indies.....	171, 712	5, 014
China, Republic of.....	118, 393	3, 457
Colombia.....	45, 030	1, 315
Costa Rica.....	56, 820	1, 659
Dominican Republic.....	719, 937	21, 022
Ecuador.....	51, 089	1, 492
El Salvador.....	25, 408	742
Fiji Islands.....	48, 565	1, 418
France.....	23, 242	679
French West Indies.....	109, 416	3, 195
Guatemala.....	69, 858	2, 040
Haiti.....	38, 989	1, 138
India.....	155, 506	4, 541
Ireland.....	9, 973	291
Malagasy Republic.....	0	0
Mauritius.....	66, 605	1, 945
Mexico.....	650, 442	18, 993
Nicaragua.....	55, 852	1, 631
Panama.....	24, 519	716
Peru.....	430, 435	12, 569
Reunion.....	9, 893	289
South Africa.....	135, 088	3, 944
Southern Rhodesia.....	10, 589	309
Turkey.....	6, 578	192
Venezuela.....	11, 907	348
Subtotal.....	3, 942, 373	115, 117
Philippines.....	1, 486, 711	43, 412
Total.....	5, 429, 084	158, 529

¹ Average per ton differential between world price and U.S. price for period February 1963–May 1964, \$29.20.

Senator WILLIAMS. This seemed to be a rather fair method for the taxpayers, who automatically are the consumers, to pick up some of this difference between the world market and our market, and it would have eliminated a lot of the problem now. I am wondering why the administration doesn't have in its recommendations a continuation of such a tax or a provision to recover some of this difference between the world and the domestic prices. As Senator Long pointed out, that could be a two-way street, because we find we have to pay it when it goes up anyway. But why should we not have a formula when, as in the present instance, there is a difference of say 4 cents between the world market and our market, that we could recover half of that now in the form of some kind of a tax and then if it goes above the world price we could pay a little extra?

Mr. SCHNITTKER. Well, Senator, there was a great deal of discussion of this question before the administration position on sugar, on the sugar legislation, was taken, and it was determined finally not to recommend any import fee primarily on the ground that most of the suppliers of sugar to the U.S. market are countries which are greatly in need of foreign exchange, they are developing countries, and in many cases they are countries to which we provide a good deal of foreign aid.

It was thought to be incompatible with our need and our policy to assist these countries in their financial and development efforts, and at the same time to assess a fee, a special fee, on their exports of sugar to this market.

Senator WILLIAMS. Well, wouldn't it be better to collect the tax and then if Congress and the administration decided that the countries needed this as a foreign aid to give it back to the countries specifically where the country could use it for the benefit of its people?

Is it not true that to a large extent these benefits do not go to the countries involved but to companies within the countries, to individuals, and a lot of the proceeds that are extra end up siphoned into Switzerland or in Swiss banks rather than benefiting really the country or the people of the country, isn't that true?

Mr. SCHNITTKER. I can't vouch for where the money goes, Senator, but I believe that in the sugar-supplying countries, just as in this country, that it is mainly business that makes the world go round. It is sugar business in Peru and sugar business in Colombia and Mexico that provide jobs for workers and investment opportunities for investors and management opportunities for management.

So, while there is certainly an area for foreign aid in any of these countries for special projects we believe there is also a very broad area for returning more to the business enterprises in those countries and this is what the proposed Sugar Act would do.

Senator WILLIAMS. Well, I expect I would support the private enterprise system more than maybe some of you in your Department, so I won't quarrel with you on that.

But in the private enterprise system we sit down and work out a deal that is mutually advantageous to both parties concerned and not a one-way street. This is not a business operation we are conducting; we know that and you know that. On a sound business basis if you don't have to you don't enter into a contract with the other fellow for 6 cents when you can buy something for 2 or 3 cents instead, and we have no business doing it.

Would you oppose provisions in the act which would permit that?

Mr. SCHNITTKER. We would oppose it.

Senator WILLIAMS. If they were incorporated in the bill you would rather see the bill defeated than enacted with that provision?

Mr. SCHNITTKER. We would have to look at all provisions.

Senator WILLIAMS. You would have to put a maybe on that, too.

Mr. SCHNITTKER. We would have to put a maybe on that.

Senator WILLIAMS. I would expect that you would.

In connection with the domestic quotas, why is it so important from the domestic quota standpoint that this bill be considered at this time? I understood that the expiration date for the present law is 1966.

Mr. SCHNITTKER. Yes, the end of 1966.

Senator WILLIAMS. The end of 1966.

What is it that makes it so mandatory that we act now when the law doesn't expire until the end of 1966?

Mr. SCHNITTKER. Well—

Senator WILLIAMS. Speaking from the point of view of domestic producers only.

Mr. SCHNITTKER. Under the existing Sugar Act the domestic beet area can market only 2,650,000 tons during this calendar year, the

domestic cane area only 895,000 tons, so long as the total estimate for sugar utilization in this country is below 9.7 million tons; presently it is 9.3. At the same time that they can market only this limited amount, the U.S. market will require additional sugar in the last months of this year, and there would be several ways to get the sugar: one would be to raise the estimate of requirements very sharply, but the effect of that would be to first let in a large quantity of foreign sugar. To permit the U.S. processors to market the amount of sugar which they have since the first of the year expected to market this year, and which the U.S. market will require and at the same time to permit that marketing without bringing in excessive amounts of foreign sugar requires an amendment to the act.

Senator WILLIAMS. Now, when you get the sugar from the domestic producers what does its cost?

Mr. SCHNITTKER. About 6 cents or 7 cents.

Senator WILLIAMS. About 6 cents or 7 cents.

How much surplus do we have in the domestic warehouses that you want to use as a result of the act being passed?

Mr. SCHNITTKER. The amount which we would propose to be marketed in addition to amounts already authorized is 580,000 tons. That does not constitute, I believe, the full amount that processors would be very happy to market if they had the opportunity.

Senator WILLIAMS. My question is, Why can't we just pass a simple resolution authorizing you to market that 580,000 tons over and above the existing law and forget this until next year?

Mr. SCHNITTKER. The reason for this, Senator, is this is an integral part of a sugar act which is proposed and which we believe ought to be settled in this session of Congress, not only so that domestic producers can get in these additional marketings, but so that foreign suppliers will know what market they have, and U.S. consumers can be assured of an adequate supply of sugar in future years.

Senator WILLIAMS. I agree with you about the wisdom of acting, and I didn't mean to postpone this indefinitely. I was just speaking of until next year. As one member of the committee I am getting a little impatient that the end of each session we have a date with the sugar lobby and you gentlemen. I am wondering if this was so all-fired important where you have been the rest of this year?

Mr. SCHNITTKER. Well, sir, we have been writing uptown; we would like—we would also like this to be considered at the earliest possible time.

Senator WILLIAMS. But there is a way that it could be done by an extension, by authorizing you to increase the marketing for 580,000 tons this quarter, if we wanted to do it. We could come back here in January or February, when we had a little more time, and work out a reasonable solution on the foreign quotas. Would that be in order?

Mr. SCHNITTKER. That would certainly be possible.

Senator WILLIAMS. If it were done with the understanding that the committee was not pigeonholing the job at the first of the year but was going to take it up and give it our active consideration, don't you think that it would be better to do that under less strained circumstances than it would be to try to ram it through here in the last few days of the session?

Mr. SCHNITTKER. Senator, we have advanced a formula and procedure for allocating foreign quotas, for changing them over time in

the event of emergency or in the event countries don't fill their quotas. I don't believe that we would advance anything significantly different next year.

Senator WILLIAMS. I am pretty sure that is true. But you spent considerable weeks and months in study behind your proposal, didn't you?

Mr. SCHNITTKER. We did.

Senator WILLIAMS. It is very proper that you should, and any measure which requires that much study on the part of you gentlemen, who are experts, is going to require a little more than 48 hours' study on the part of some of us gentlemen who don't understand it as well as you do.

Mr. SCHNITTKER. I can understand that.

Senator WILLIAMS. Yes.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. Mr. Schnittker, the Wall Street Journal this morning on page 26 gives the price of raw sugar New York per pound at 6.85 cents. You agree to that?

Mr. SCHNITTKER. Yes, sir.

Senator DOUGLAS. What is the approximate price of raw sugar in the Caribbean?

Mr. SCHNITTKER. I would have to refer to Mr. Murphy for that.

Mr. MURPHY. Senator, the approximate price of raw sugar in the Caribbean is about $2\frac{1}{4}$ cents a pound.

Senator DOUGLAS. Two and a quarter cents a pound.

Now, to deliver this in New York you would have to pay a tariff of $62\frac{1}{2}$ cents per hundred?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Plus freight and insurance coming to about half a cent.

Mr. MURPHY. In addition to the tariff?

Senator DOUGLAS. Yes.

Mr. MURPHY. Yes.

Senator DOUGLAS. So that sugar bought in the free market in the Caribbean to be delivered in New York at $31\frac{1}{3}$ cents roughly?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. How much is the price for it, American price?

Mr. MURPHY. Six hundred and eighty-five one-hundredths.

Senator DOUGLAS. Or a bonus of $31\frac{1}{2}$ cents—

Mr. MURPHY. Yes, sir.

Senator DOUGLAS (continuing). A pound is being paid.

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Do you make your computations in short tons?

Mr. MURPHY. Yes.

Senator DOUGLAS. So this is a bonus of \$70 a ton?

Mr. MURPHY. Yes.

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. You propose to import 4 million tons.

Mr. MURPHY. Well, that is a little high and all of it is not subject to this excise, would not have been subject to the—

Senator DOUGLAS. About 4 million tons.

Mr. SCHNITTKER. About 1 million tons of that would be from the Philippines.

Senator DOUGLAS. Nearly 3 million tons.

Mr. MURPHY. To the low side of the 3 million tons.

Senator DOUGLAS. All right. It is a premium of \$210 million a year. Assuming that this continues for 5 years, this is a bonus of \$1,050 million.

Mr. MURPHY. On that assumption.

Senator DOUGLAS. It is a very large sum to load on the American consumer.

Mr. MURPHY. Senator, I believe that the record of the world price since the war clearly indicates that it does not reflect the cost of production.

Senator DOUGLAS. I have figures on that. I have figures and I find that even allowing for the roughly 1.1 cents for tariff and shipping costs the disparity from 1948 to 1964 is $1\frac{1}{6}$ cents per pound or over a period of—a 17-year average, this would be roughly \$23 a ton each year and with importations at the time averaging well over 4 million tons the bonus will come to well over \$100 million a year for the 17 years, so the bonus which American consumers have paid to foreign producers has been at least a billion three-quarter million dollars over these 17 years. The figures from January to September 1965 indicated a differential after tariffs and shipping costs of 3.6 cents or \$72 a ton. So that has been the condition not merely as of today but over all of 1965. There are many of us who feel that this is an improper charge upon the American consumer for the benefit of foreign producers. I find myself in agreement with the Senator from Delaware in questioning this proposal very strongly.

Is it true that during 1965 you held that the 1962 provision on an import fee did not apply?

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. Is it true that during the same period you have held that the provision in the same act providing for country-by-country quotas does apply?

Mr. SCHNITTKER. That is not correct.

Senator DOUGLAS. Country by country.

Mr. BAGWELL. Not the exact quotas set out in the act. But we have taken the position there is legal power to impose quotas on foreign countries.

Senator DOUGLAS. And pay the American price.

Mr. BAGWELL. That is correct.

Senator DOUGLAS. But that you have no authority to impose the import fee.

Mr. BAGWELL. That is correct.

Senator DOUGLAS. How is it that you are able to say that one provision of the act does apply, and another provision in the same act does not apply?

Mr. BAGWELL. Senator, I have a written opinion on that. I will be glad to supply it for the record. But it is very clear in the statute as to the fee.

Senator DOUGLAS. Just explain to the Senators. Did the whole act not expire in 1964?

Mr. BAGWELL. No, sir.

Senator DOUGLAS. Did the foreign provisions of the act not expire in 1964?

Mr. BAGWELL. The foreign quotas set out in the act expired in 1964. We have continued those quotas under a general provision of the Sugar Act.

Senator DOUGLAS. At U.S. prices.

Mr. BAGWELL. That is correct.

Senator DOUGLAS. But you discontinued the global quota, which we could have purchased at world prices.

Mr. BAGWELL. May I just read the provision of law—

Senator DOUGLAS. Have I stated the facts correctly? You continued one, discontinued the other.

Mr. BAGWELL. That is correct. That is correct.

Senator DOUGLAS. And both provisions in the same act.

Mr. BAGWELL. In the same act. But they are not worded the same way by any means. And the meaning and the intent of the law is not the same with respect to the quotas and the import fee.

Senator DOUGLAS. Who is to be the judge of intent, pray?

Mr. BAGWELL. I will be happy to read this.

Senator DOUGLAS. Yes.

Mr. BAGWELL. I am reading from section 213(c) of the Sugar Act of 1948 as amended in 1962. "As a condition for importing sugar into the continental United States pursuant to"—and I will skip these provisions; they are references to certain provisions of the law—"an import fee shall be paid to the United States during the years 1962, 1963, and 1964, which fee in such years shall be"—and then the rate is specified for each year.

Senator, I know no way—as a lawyer, I know of no way that we could have extended beyond 1964 the fee under the Sugar Act.

Senator DOUGLAS. Where did you find the authority to continue your country-by-country quotas beyond 1964?

Mr. BAGWELL. Well, the section 403 of the Sugar Act of 1948 the same statute—the Sugar Act of 1948.

Senator DOUGLAS. Did that not apply to 1962, 1963, 1964, and was not of indefinite duration?

Mr. BAGWELL. Pardon me?

Senator DOUGLAS. Were not the country-by-country quotas for 1962, 1963, 1964, and not for indefinite duration?

Mr. BAGWELL. The ones that were specified in the act in so many tons, for the countries listed, that is correct.

Senator DOUGLAS. For 1962, 1963, 1964. But you continued them to 1965, have you not?

Mr. BAGWELL. That is correct. And also 1966.

Senator DOUGLAS. How can you discontinue in one case and extend in the other when in both cases they were restricted to 1962, 1963, 1964? Either continue both of them or drop both of them, but not have differential treatment between the two.

Mr. BAGWELL. The simple reason is, Senator, that in my opinion the statute authorized it in one case and did not in the other.

Senator DOUGLAS. As usual, you favor the foreigner, but not the taxpayer or the consumer.

Mr. BAGWELL. I have a signed opinion which I will be happy to submit for the record.

Senator DOUGLAS. I think you should submit it for the record.

But it is not true that the provision on the quotas by countries also was to apply to 1962, 1963, 1964?

Mr. BAGWELL. Those particular quotas were to apply for those years. Senator DOUGLAS. Yes. And you have continued them for 1965, have you not?

Well, how can you continue them to 1965 when the act did not provide that they were to be continued to 1965, but discontinue the import fee, and by discontinuing the import fee, you have done the U.S. Treasury out, apparently, of \$70 million a year.

Mr. BAGWELL. Senator, it is quite clear from the Sugar Act as a whole, as it was passed in 1962, that the Congress did not intend that beginning in 1964 all sugar should be shut off from foreign countries, nor did they intend that you should open the floodgates, which in either case would mean the end of the sugar program.

Senator DOUGLAS. Just a minute. I happened to have written the import fee provisions, first in 1961, which passed this committee, passed the Senate, and was lost in conference, and also the 1962 provisions. You say we did not intend it. I say we did intend it—we finally had to reach a compromise—but we did not intend that the compromise would be one under which one section of the law expired, and you would continue one section, costing the American consumer large amounts of money, and discontinue the other section, costing the Treasury apparently \$70 million a year.

Now, you can say you decided that was not the intention of Congress. I do not think you can find that in any of the debates, or in any of the discussions inside this committee at all.

Mr. BAGWELL. Senator, I must respectfully disagree with you.

Senator DOUGLAS. What?

Mr. BAGWELL. I must respectfully disagree with you.

Senator DOUGLAS. Where do you get this intention? Did you find it in the air?

Mr. BAGWELL. The intention as to the fee is in the words of the statute itself.

Senator DOUGLAS. Yes. But the very same words apply to the quotas. And yet you continue them. How is it you say that you can stretch 1962, 1963, 1964, into 1965 for quotas, but that you cannot do it for the import fees?

Mr. BAGWELL. We extended, Senator, foreign quotas, but not the exact quotas that terminated in 1964. We did not extend the quotas in the exact amounts that Congress wrote in the act in 1962.

Senator DOUGLAS. Approximately the same amounts—approximately.

Mr. BAGWELL. I would not say “approximately.”

Senator DOUGLAS. I would simply say this is an administrative monstrosity. I have defended you fellows, with the idea there should be proper administrative discretion. But you certainly do not have the right to give this treatment. It always comes out against either the taxpayer or the consumer.

Mr. SCHNITTKER. Senator, we will submit the opinion for the record. (The opinion of the Department of Agriculture General Counsel follows:)

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE GENERAL COUNSEL,
Washington, D.C., November 23, 1964.

Opinion of the General Counsel No. 125.

Syllabus.—The Sugar Act of 1948 as amended by the amendments of 1962, authorizes the Secretary of Agriculture to establish sugar quotas for 1965 and 1966 for foreign countries other than the Republic of the Philippines, but the imposition of import fees after 1964 is not authorized under such act.

OPINION FOR THE SECRETARY

DEAR MR. SECRETARY: You have asked to be advised, in view of the present provisions of section 202 of the Sugar Act of 1948 which direct the Secretary of Agriculture to establish sugar quotas for 1963 and 1964 for foreign countries other than the Republic of the Philippines, whether there is a legal basis for establishing sugar quotas for 1965 and 1966 for such foreign countries pursuant to such act. You also have inquired whether import-fees may be imposed in 1965 and 1966 under the present provisions of section 213 of the Sugar Act of 1948, as amended.

This will confirm my previous oral opinion that the establishment by you of sugar quotas for 1965 and 1966 for foreign countries other than the Republic of the Philippines is authorized under the present provisions of the Sugar Act of 1948, as amended, but that the imposition of import fees after 1964 is not authorized under the present provisions of section 213 of such act.

The relevant provisions of the Sugar Act may be briefly summarized as follows:

Section 101(j) defines the term "quota" in pertinent part as follows: The term quota, depending upon the context, means (1) that quantity of sugar which may be brought or imported into the continental United States during any calendar year from Hawaii, Puerto Rico, the Virgin Islands or a foreign country or group of foreign countries; (2) that quantity of sugar produced from sugarbeets or sugarcane grown in the continental United States which during any calendar year may be shipped or marketed in interstate commerce (7 U.S.C. 1101(j)).

Section 201 provides that the Secretary shall, in December of each calendar year, determine the amount of sugar in tons needed to meet the requirements of consumers during the next calendar year. The factors to be considered in making such determination are specified and the amount so determined (herein called consumption requirements) is subject to change from time to time as conditions warrant (7 U.S.C. 1111).

Section 202 provides that whenever the Secretary makes or revises a determination of consumption requirements under section 201, he "shall" establish or revise quotas. The amounts of the quotas for the domestic areas (with exceptions not relevant here) and for the Philippines are set out in tons of sugar. Subsection (c) of section 202 sets forth the manner for determining quotas for foreign countries other than the Philippines for the 6-month period ending December 31, 1962, and for the calendar years 1963 and 1964. It provides in paragraphs (2) and (3) thereof that for each of such years the quotas for such countries shall be established by prorating an amount, equal to the difference between the consumption requirements determined under section 201 and the sum of domestic area and Philippine quotas, in accordance with the percentages specified and to the countries named therein. Section 202 further provides (subsec. (c)(4)(A)) that whenever the United States is not in diplomatic relations with any foreign country "named in paragraph (3)," the proration of sugar to such country provided for in "paragraph 3 of this subsection" shall not be made, and such sugar may be obtained from countries with which the United States is in diplomatic relations. Sugar so obtained is generally referred to as "global quota" sugar (7 U.S.C. 1112).

Section 213 provides (subsecs. (a) and (b)) for an import fee in an amount approximating the excess of the domestic price over the world price as a condition to importing sugar purchased "pursuant to paragraph 4 of section 202(c) of this act." Thus, this fee is applicable to what is called global quota sugar. Section 213 further provides (subsec. (c)) that "during the years 1962, 1963, and 1964" sugar imported under individual country quotas (those prorrations provided for the countries named in subsec. 202(c)(3)) shall be subject to an import fee in an amount equal to a specified percentage of the fee applicable to global quota sugar (7 U.S.C. 1123).

Section 412 of the Sugar Act provides that the "powers vested in the Secretary under this act shall terminate on December 31, 1966, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1966 and previous crop years" (7 U.S.C. 1101 note).

Section 403(a) of the act provides that the "Secretary is authorized to make such orders or regulations, which shall have the force and effect of law, as may be necessary to carry out the powers vested in him by the act" (7 U.S.C. 1153(a)).

The basic objectives of the Sugar Act of 1948 are set forth in the title of such act as follows: "To regulate commerce among the several States, with the territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; and for other purposes."

The principal mechanism provided for in the Sugar Act of 1948 to attain its objectives, consists of a determination by the Secretary in December of each year of the total quantity of sugar needed to meet the annual requirements of consumers in the United States, and the distribution of such quantity among domestic and foreign sugar-supplying areas by the use of sugar quotas that prescribe the portion of the total quantity each area may furnish. The statutory scheme is to limit the amount of sugar which may be marketed (including sugar imported) in the United States in such a manner as to carry out the act's objectives of protecting the welfare of the domestic sugar-producing industry, while at the same time protecting the consumer by insuring an adequate supply of sugar to meet their needs at reasonable prices. The statute functions also to promote export trade through the purchase of sugar from foreign countries which makes funds available to buy American products.

The introductory language of section 202 of the Sugar Act requires that whenever a determination is made pursuant to section 201 of the amount of sugar needed to meet the requirements of consumers "The Secretary *shall establish quotas or revise existing quotas*". [Emphasis added.] Such provision of section 202 not only empowers the Secretary to establish quotas, but literally imposes a duty upon him so to do. Such power terminates on December 31, 1966. The balance of section 202 sets forth directions to the Secretary with respect to quantities involved in the *manner* in which he shall exercise the power to establish quotas; in subsection (a) for domestic sugar-producing areas, in subsection (b) for the Republic of the Philippines and in subsection (c) for foreign countries other than the Philippines. The directions set forth in subsections (a) and (b) do not refer to a period of time that they will be in effect, and thus govern the Secretary in establishing quotas for domestic areas and the Philippines through 1966, the termination date of the powers vested in the Secretary under the act as provided in section 412 thereof. The directions in subparagraph (c) are limited to the 6-month period ending December 31, 1962, and the years 1963 and 1964, and consequently do not govern the Secretary after 1964 in exercising his power of establishing quotas.

We have reviewed the legislative history of the "Sugar Act Amendments of 1962" and find that the language "1963 and 1964" first appeared in section 202 as set out in the conference report (H. Rept. No. 1957, 87th Cong.). That report and the debates on it show clearly an understanding and intention that the provisions for the establishment of individual country quotas in the amounts and to the countries named in the act would terminate on December 31, 1964. It nowhere appears, however, that there was any intention on the part of Congress that the quota system should fall after 1964. Indeed, it would have been idle to provide detailed direction to the Secretary for establishing domestic quotas for 1965 and 1966 unless foreign quotas were also intended to be continued, since the Congress is aware, from a series of reenactments of substantially the same sugar legislation over a period of more than 25 years, that domestic quotas cannot be operated independently of foreign quotas.

The dispute between the two Houses of Congress, which gave rise to the necessity of a conference, concerned largely the question of how the various foreign countries were to participate in the quota "for foreign countries other than the Republic of the Philippines." There was no apparent controversy over the amount of the quota for foreign countries as a group since that was a residual amount after quotas for domestic areas and the Philippines were established, and division of the total quantity of consumer requirements between domestic areas and foreign countries became fixed for 1965 and 1966 by the provisions in the act that specified the amount of the domestic area quotas for such years.

Statements made in the course of the debates on the conference report, which appear in the Congressional Record for June 30, 1962, and July 2, 1962, indicate that some future congressional review was intended. Congressman Cooley said (p. 11499) that "before the end of 1964 we will take a look at all of those foreign allocations." Senator Humphrey stated (p. 11592), "There will be an opportunity, 2½ years from now, to review the entire foreign quota problem without inclusion of the domestic problem in negotiations."

There is, however, no legislative history which indicates that Congress was opposed to any sugar being imported from foreign countries other than the Philippines after 1964, or that it intended to divest the Secretary of authority to establish quotas if Congress failed to enact legislation directing the manner in which foreign country quotas should be established after 1964.

Section 412 of the Sugar Act of 1948 provides that "The powers vested in the Secretary under this act shall terminate on December 31, 1966, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 1966 and previous crops years" (7 U.S.C. 1101 note). It may be noted that "the rule of express mention and implied exclusion may be resorted to as an aid in the construction of a statute where there is no plainer internal evidence of congressional intent."¹ Under the foregoing rule the express exception stated in section 412 with respect to the powers of the Secretary terminating on December 31, 1966, implies that Congress intended no other exceptions, and tends to reinforce the view that Congress intended that the power of the Secretary to establish quotas for all supplying areas should terminate on the same date.

Accordingly, under the provisions of section 202, when the Secretary in December 1964 determines the amount of sugar needed to meet requirements of consumers in 1965, he has the responsibility of establishing quotas. The exact amount and manner in which he shall establish quotas for domestic areas and the Philippines are specified in section 202. Since the total of such quotas is less than the quantity determined to meet consumer requirements, the Secretary, by the mandatory language of section 202, is required in my opinion, to establish a quota or quotas for such remainder or residual quantity. Quotas which in total do not equal consumption requirements are inconsistent with the concept of a determination of consumption requirements provided for in section 201 of the act. Foreign countries other than the Philippines are the only source of sugar from which the residual quota may be filled in view of the specific provisions of the act for determining domestic area and Philippines quotas for 1965 and 1966. Accomplishment of the objectives of the act, by means of a determination of the amount of consumption requirements and establishment of quotas, requires that the quota for foreign countries other than the Philippines for each of the years 1965 and 1966 equal the amount of consumer requirements determined pursuant to section 201 of the act less the sum of domestic area and Philippine quotas.²

Under the present provisions of section 202 of the act, Congress has not directed the Secretary as to the manner in which the quota for foreign countries other than the Philippines should be distributed among such countries after 1964. The Secretary may therefore in 1965 and 1966 under the present provisions of the act establish a distribution among foreign countries on such reasonable basis as he determines is consistent with achievement of the objectives of the act. The authority given the Secretary in section 403 of the act to issue regulations necessary to carry out the powers vested in him by the act, provides the basis of authority for issuing regulations establishing and distributing quota apportionments to individual foreign countries.

¹ *Hunt Foods and Industries, Inc. v. F.T.C.*, 286 F. 2d 803, 807 (9 Cir. 1961).

² While we think our construction of the act follows from the foregoing analysis of its relevant provisions and the legislative history of these provisions, such construction is also in accord with recognized rules of statutory construction. The essential purpose of these rules is to discover the legislative will because the "intention of the lawmaker constitutes the law * * *." *Indianapolis, etc., Railroad Company v. Horst*, 93 U.S. 291, 300. The intention of the legislative body is to be gleaned from the reading of the statute as a whole with due regard to its purpose; if possible, effect must be given to every clause and every part of the statute; and all sections of a statute be reconciled so as to produce a symmetrical whole. *Brown v. Duchesne*, 19 How. 183, 194; *Ginsberg v. Popkin*, 285 U.S. 204, 208; *United States v. Menasche*, 348 U.S. 528, 538-539. *Power Commission v. Panhandle Co.*, 337 U.S. 498, 514. Another cardinal principle of statutory construction is that the legislative enactment should be saved and not destroyed and the courts are not inclined to adopt a construction which will make the statute a dead letter but will read the statute so as to avoid self-nullification. *Labor Board v. Jones and Laughlin*, 301 U.S. 1, 30. *Gemsco, Inc. v. Walling*, 324 U.S. 254, 255.

The provision of section 202 that expressly requires the Secretary to establish quotas remains in effect until December 31, 1966. However, the power to impose import fees under section 213 does not remain in effect until December 31, 1966. In the case of individual country quotas power to impose import fees is limited to 1962, 1963, and 1964. In the case of the global quota such power is limited to "sugar purchased pursuant to paragraph 4(A) of section 202(c)." Since, as heretofore pointed out, paragraph 4(A) of section 202(c) expires on December 31, 1964, and sugar may not thereafter be purchased pursuant thereto, it follows that the authority expressly limited in section 213 to the imposition of an import fee on sugar purchased pursuant to paragraph 4(A) of section 202(c), likewise will terminate on that date. Congress alone under the Constitution (art. I, sec. 8, cl. 1) has the power to impose taxes, duties, imports and excises (which would include an import fee), and such power to be exercised by the executive branch of the Government must be derived from a delegation by Congress of such power. The authorization in the act to issue regulations, in my opinion, is not such a delegation. Even assuming arguendo that such authorization would permit the imposition of fees on the importation of sugar if such fees were essential to the accomplishment of the objectives of the act and its effective operation, it would appear that no such showing of essentiality could be made. The determination of domestic sugar requirements and the operation of a quota system to fulfill such requirements do not depend for their effectiveness upon the imposition of the fee. The act operated without the imposition of fees for many years prior to the enactment in 1962 of the express provision in the act for an import fee. The import fee simply provided the means for recapturing in whole or in part for the U.S. Treasury the premium which would result from the sale of foreign sugar in the U.S. market at prices above world market prices.

It should be noted that section 207 of the act, which limits that part of a quota for an offshore domestic area or a foreign country that may be filled by direct-consumption sugar, provides in substance under subsection (g) thereof that the limitations established in such section shall continue in effect, even if the President pursuant to section 408 should suspend the provisions of title II of the act and no quotas thereafter would be in effect. By such provision Congress has clearly shown it intends that the direct-consumption limitations stand alone, and are not dependent upon quotas being established under any particular provision of title II either for domestic areas or individual foreign countries. Therefore, in my opinion the quantity limitations set forth in section 207 of the act would apply in 1965 and 1966 to quotas for foreign countries other than the Philippines even though such quotas are not issued under the present provisions of section 202(c) (3) which expire at the end of this year.

On the basis of the foregoing discussion it is my opinion that there is a legal basis as well as a duty under the provisions of the Sugar Act of 1948 for the Secretary to establish a quota for foreign countries other than the Philippines for each of the years 1965 and 1966 which shall equal the amount of consumer requirements determined pursuant to section 201 of the act less the sum of domestic area and the Philippine quotas; that he is not bound by the quota distribution among individual countries provided for in section 202(c) of the act which terminates at the end of 1964; and that the power to impose import fees pursuant to the provisions of section 213 of such act ceases on December 31, 1964.

Sincerely yours,

JOHN C. BAGWELL, *General Counsel.*

Senator DOUGLAS. That is your opinion. We make the law. You are supposed to interpret the law, not to make laws. Either you should have continued both or discontinued both.

Well, let me ask you this question.

This price of 6.85 cents in the domestic market—does that include the processing tax, the excise tax?

Mr. MURPHY. 6.85, sir, does not include the excise tax.

Senator DOUGLAS. It does not. Then there is a processing tax on that.

Mr. MURPHY. A half a cent a pound.

Senator DOUGLAS. Now, is that rebated back to producers?

Mr. MURPHY. Legally that is not rebated back to producers. But it does provide about \$100 million of revenue to the Treasury. And

there is a provision for direct payments to domestic producers which require payments of about \$85 million a year.

Senator DOUGLAS. This is what in other commodities would be called the Brannan plan?

Mr. MURPHY. It might be.

Senator DOUGLAS. I did not hear the answer.

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. A hundred million dollars. So the American producers, both cane and beet, get the difference between what the price would be if we imported sugar, and the price actually received, and in addition approximately \$100 million a year in payment. Is that correct?

Mr. MURPHY. Senator, the payments are about \$85 million a year.

Senator DOUGLAS. Well, the figures that I have indicate that the 1964, they amounted to \$90,519,371.

Mr. MURPHY. Senator, is that for a crop or a fiscal year?

Senator DOUGLAS. Crop.

I do not know that this is involved in the bill before us, but I send to you a statement of the 25 leading domestic producers, and the amounts of premiums which they have received, and ask you to look them over and see if they are correct.

I would like to read them off as I go.

According to my figures, U.S. Sugar Corp. of Florida received a bonus of \$1,104,613.05 in 1963. Is that correct?

Mr. SCHNITTKER. Sir, I cannot vouch for that without checking the records, but it is substantially correct.

Senator DOUGLAS. Substantially correct. That is for the 1963 crop I think I should add. The Hawaiian Commercial & Sugar Co., Ltd., of Hawaii, \$1,074,520.77.

The Oahu Sugar Co., Ltd., Hawaii, \$574,552.89.

You nod your head. Does the record show that you agree this is substantially correct?

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. C. Brewer, Puerto Rico, Inc., Puerto Rico, \$569,233.42.

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. Lihue Plantation Co., Ltd., Hawaii, \$559,892.84.

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. I do not know how to pronounce this name. I will try it. Waialua Agricultural Co., Ltd., Hawaii, \$549,392.78.

Is that correct?

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. Okeelanta Sugar Refinery, Florida, \$548,282.33.

Mr. SCHNITTKER. Yes.

Senator DOUGLAS. Luce & Co., Puerto Rico, \$539,645.20. Ewa Plantation Co., Hawaii, \$460,721.35.

Correct me if I am wrong. If you do not correct me, I will assume that my statement is correct.

Pioneer Mill Co., Ltd., Hawaii, \$444,611.23. Kekaha Sugar Co., Ltd., Hawaii, \$399,285.52. Grove Farm Co., Ltd., Hawaii, \$368,795.14. Pepeekeo Sugar Co., Hawaii, \$362,866.55. Hawaiian Agricultural Co., Hawaii, \$359,090.02. South Coast Corp., Louisiana, \$356,593.10. Antonio Roig Sugars, Puerto Rico, \$346,517.03. Laupahoehoe Sugar

Co., Hawaii, \$344,705.63. Kohala Sugar Co., Hawaii, \$332,175.94. Olokele Sugar Co., Ltd., Hawaii, \$312,628.01.

Puna Sugar Co., Ltd., Hawaii, \$298,803.48. Wailuku Sugar Co., Hawaii, \$296,631.39. McBryde Sugar Co., Ltd., Hawaii, \$294,161.87. Hutchinson Sugar Co., Ltd., Hawaii, \$287,647.39. Suc J. Serralles, Puerto Rico, \$273,404.51. Onomea Sugar Co., Hawaii, \$268,893.31.

Do you notice any appreciable errors in this list?

Mr. SCHNITTKER. No, sir.

Senator DOUGLAS. I wonder if you would get ready the next 25 for us, companies with the next largest premiums—production payments.

Mr. SCHNITTKER. We could produce those, I believe, for the record.

(The list of Sugar Act payments from the 26th to the 50th largest follows:)

Sugar Act payments, 1963 crop

Name	Area	Payment
Southdown, Inc.	Louisiana	\$251,883.28
Hilo Sugar Co., Ltd.	Hawaii	219,527.59
Kahuku Plantation Co.	do	200,247.80
Honokaa Sugar Co.	do	194,321.46
Gay & Robinson	do	176,998.15
Kilauea Sugar Co., Ltd.	do	169,638.86
Hamakua Mill Co.	do	162,312.03
Talisman Sugar Corp.	Florida	154,980.47
Florida Sugar Co.	do	153,802.09
Paauihau Sugar Co., Ltd.	Hawaii	139,861.57
Sterling Sugars, Inc.	Louisiana	136,333.69
Heirs of Gabriel Pla, Decd, et al.	Puerto Rico	123,096.72
Vicorp	Virgin Islands	120,479.24
A. Duda & Sons	Florida	111,248.35
Closter Farms, Inc.	Puerto Rico	109,001.18
Ramon Gonzalez Hernandez	Puerto Rico	108,592.20
Milliken & Farwell, Inc.	Louisiana	104,974.05
A. Wilbert & Sons L & S Co.	do	99,725.55
M. Mercado E. Hijos (partnership)	Puerto Rico	94,819.57
Osceola Farms Co.	Florida	93,579.29
South Florida Sugar Co.	do	93,306.84
Antonia Cabassa Vda Fajardo et al.	Puerto Rico	92,588.87
Sugarcane Farms Co.	Florida	80,359.60
715 Farms Ltd.	do	80,105.02
Savoie Industries	Louisiana	77,739.96

Senator DOUGLAS. I would appreciate that.

I would merely like to remark, Mr. Chairman, this sugar bill and program in its entirety has cost the American consumer billions upon billions of dollars.

In the material which the staff has prepared, the Sugar Act payments by areas and by crop years, for the years 1937-64—these are crop years—comes to a total of \$1,620,712,868. Those are in direct payments—roughly \$1¾ billion.

In addition to this, the consumers have had to pay the difference between the high domestic price and the much lower world price. And this over a period of time I am quite certain has come to many hundreds of millions of dollars and, indeed, several billions.

But the sugarbeet interests and the cane interests are so deeply entrenched that I think it is impossible for us to move to any free entry of sugar, although from the world standpoint and our own standpoint I think it would be much better. The Caribbean is the natural sugar bowl for the United States. In this way we could reduce the cost of living to the American consumer, and in addition we would have a big

market for our exports to these countries. And from the standpoint of national security and the world standpoint, it would be much better.

But this is for the future. Certainly it is impractical for the present.

But let us turn to the 2,360,000 tons, which we get from the foreign countries other than the Philippines.

What is the argument for doing away with the import fee and paying the domestic price?

Mr. SCHNITTKER. Senator, the argument is that—the fact is that these countries are primarily developing countries, short on foreign exchange. Many of them, if not most of them, are recipients of foreign aid from the United States whose economies can benefit very materially from the full premium.

Senator DOUGLAS. In other words, this is a foreign aid argument.

Mr. SCHNITTKER. Essentially a foreign aid argument.

Senator DOUGLAS. Now, the Senator from Delaware in one sentence made, I thought, raised a very interesting question when he said how much of this will trickle down to the people of the producing countries. Will not the money be really intercepted by the plantation owners and a large part of the money be sent to Switzerland as liquid funds so they can get out on if anything happens to them?

Mr. SCHNITTKER. Senator, I cannot vouch for the final disposition of the funds, but I am confident that a very appreciable amount of it simply goes into sustaining and building up the economy of the country.

Senator DOUGLAS. Well, do you make any requirements that this bonus, amounting to—I change my figures now—apparently amounting to at least \$150 million a year, is to be used by the receiving countries for social improvements, such as schools, health, investment in roads, investment in industry, and the rest? Or is this just handed out as a bit of largess?

Mr. SCHNITTKER. Well, there is no requirement by the U.S. Government that they handle it in any—

Senator DOUGLAS. There are no requirements.

Mr. SCHNITTKER. No requirements.

Senator DOUGLAS. What would you say to an amendment that the \$150 million be collected in import fees and impounded as an addition to the Alliance for Progress?

Mr. SCHNITTKER. We would say that we believe it is better to let that amount, if it is that amount, in any given year, flow to the Alliance countries through trade rather than aid.

Senator DOUGLAS. You mean it would flow to the plantation owners. Is it not true that in virtually all of these countries the sugarlands are concentrated in rather a few hands?

Mr. SCHNITTKER. I believe that is often correct.

Senator DOUGLAS. Yes. I have checked those figures through most of the Latin American countries. It is substantially correct.

You say you believe in stimulating free trade with these countries. This is not free trade—it is highly subsidized—a big bonus going to a relatively small group of wealthy plantation owners who do not invest in their own countries, who as a matter of fact for some years exported their rents to Switzerland and to foreign banks. And you still think it is better to give these people the money than to put it as an extra amount in the Alliance for Progress where it could be used directly for the economic building up of these countries.

Mr. SCHNITTKER. Well, I think that you are substantially overstating the concentration of the sugar industry and the export of money from the recipient countries.

Senator DOUGLAS. Well, it is hard to get the specific figures. But I have spent considerable time when I have been in Latin America in collecting some of these figures, and I think it is substantially true that in the main the sugar lands are held by a relatively small group of people. In El Salvador, for instance, which is a relatively prosperous although heavily populated country, there is a dispute as to whether it is 12 families or 41 families or 4 families which own virtually all the land—both for coffee and sugar.

Well now, did you not take this position last December? Last December did not both State and Agriculture favor the imposition of an import fee?

Mr. SCHNITTKER. I do not recall that either State or Agriculture were on record last December.

Senator DOUGLAS. Did you not make an announcement that you favored the import fee?

Mr. SCHNITTKER. I stand corrected in making the announcement of certain sugar regulations for the coming year. It was indicated that the administration expected to recommend a sugar act, including an import fee. During the ensuing 8 months—

Senator DOUGLAS. My memory on that is apparently a little better than yours, Mr. Secretary.

Now, what happened between December and August? What deep-seated change came over you?

Mr. SCHNITTKER. As I understand it, in December the announcement represented an indication of decision, but not a decision.

Senator DOUGLAS. An adumbration, to use a multisyllabic word, an adumbration. Why did not the reality conform with the adumbration?

Mr. SCHNITTKER. I believe because of the determination that the dollar needs of these countries overrode our need to levy a fee.

Senator DOUGLAS. In other words, the interests of the American taxpayer were sacrificed for the interests of the foreign sugar plantation owners.

Mr. SCHNITTKER. I think—the interests of the American taxpayer, sir, were reconciled somewhat more with the interests of the Caribbean governments.

Senator DOUGLAS. I notice in the quotas for 1966, you proposed that the French West Indies should get 43,000 tons. Now, that amounts to a subsidy of—at present prices—of about a million and a half dollars a year. This strengthens the American balance of payments, does it—a million and a half dollars going to the French West Indies?

Where will the moneys collected by the French West Indies go? Will they not be claims by the French Government against the American Government, or the American Federal Reserve System?

Mr. SCHNITTKER. Yes, they will.

Senator DOUGLAS. Yes. Is it not the avowed policy of General de Gaulle to cash in on these claims and ask for gold?

Mr. SCHNITTKER. I understand that this is the case.

Senator DOUGLAS. Yes, so you give a million and a half dollars worth of bonuses at the expense of the American consumer to planta-

tion owners in Martinique and Guadeloupe, the balances of which will go into French banks and constitute claims against American gold, and according to General de Gaulle, will be cashed in on. Therefore, you worsen the financial position of the United States.

How fantastic can you get?

Mr. SCHNITTKER. I doubt, sir, if the small sugar quota to the French territories will be a very important factor in the balance-of-payments situation.

Senator DOUGLAS. Well it is a million and a half. That may not be very much to an Under Secretary or Secretary down in your building on Independence Avenue, but it is a good deal, I think. A million and a half dollars a year. Have we reached that point where we toss those figures around without being impressed?

Mr. SCHNITTKER. That is still a great deal of money, even down at the Department of Agriculture.

Senator DOUGLAS. Yes. I think you better pinch that million and a half for the Americans.

Now, let me ask you this question.

Is it not true that France absorbs sugar from its colonial possessions at prices above the world market?

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. What is the French price?

Mr. MURPHY. It is a little complicated, Senator, because it is in terms of refined sugar.

Senator DOUGLAS. Yes.

Mr. MURPHY. But it is 7 or 8 cents a pound.

Senator DOUGLAS. And what do you think the refining costs are?

Mr. MURPHY. There I would merely guess.

Senator DOUGLAS. Half a cent?

Mr. MURPHY. No, I would say over a cent.

Senator DOUGLAS. Over a cent. So that France really pays 6 cents a pound for sugar imported from Guadeloupe and Martinique, is that right?

Mr. MURPHY. I would say that 7 would be a more representative figure.

Senator DOUGLAS. Very good. Well, why not let France support its Latin American colonies? Why should we come in, too, particularly in view of the treatment which France has given us, and is giving us. Why should we take them out? Or would you prefer to refer that to the State Department?

Mr. SCHNITTKER. Senator Douglas, I am sure that Mr. Mann, who will testify later—

Senator DOUGLAS. I will await with interest his testimony.

Mr. SCHNITTKER (continuing). Will have more to say on that than I would.

Senator DOUGLAS. What is this?

Mr. SCHNITTKER. He will have more to say on this kind of a subject than I would.

Senator DOUGLAS. Let me ask you. What treatment does France give to our farm products?

Mr. SCHNITTKER. Well, France has never been a great market for our farm products.

Senator DOUGLAS. It would be?

Mr. SCHNITTKER. Has not been a very large market.

Senator DOUGLAS. Is it not true that General de Gaulle wants to bar American farm products from the French market, particularly wheat?

Mr. SCHNITTKER. I believe that is putting it too strongly. The operation of the European Economic Community may have the effect of reducing the imports of certain U.S. products.

Senator DOUGLAS. "May have." Is it not true that your boss, Secretary Freeman, has been properly shouting to high heaven for at least 4 years that the Europeans are barring American wheat and farm products from their markets, and we have been saved only by the short crops, where they have had to import, against their will? Is it not true that France aims to be the supplier of farm products for the Common Market and to have the Common Market bar as much as possible American farm goods?

Mr. SCHNITTKER. I believe that is correct.

Senator DOUGLAS. Yes. And yet you award France—you give to them a bonus of a million and a half dollars a year, when they are doing everything they can to bar their market to our products.

Now, I am a believer in the "Sermon on the Mount," that if a man strikes you on one cheek, turn the other. But I cannot go along with the doctrine that you must do it 99 times. I would say there is a limit of two or three.

Your balance-of-payments argument, therefore, does not stand up, does it? Nor will it stand up in the amounts which plantation owners receive and deposit in Swiss or Parisian banks. Because then they will become claims against the United States.

Well, let us turn to the British West Indies.

They are given 150,000 tons, or a bonus of well over \$10 million a year.

Is it not true that Great Britain gives preferential treatment to its colonies and Commonwealths?

Mr. SCHNITTKER. That is correct.

Senator DOUGLAS. Is it not true that they have a price to Commonwealth countries of 5.7 cents a pound?

Mr. SCHNITTKER. That is about correct.

Mr. MURPHY. That is on, of course, the negotiated price portion.

Senator DOUGLAS. That is right. But that forms approximately three-quarters of the imports from the Commonwealth countries.

Mr. MURPHY. That is correct.

Senator DOUGLAS. 1,800,000 tons in 1964 as compared to 360 which received duty preference.

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. So as a matter of fact that is five-sixths.

Mr. MURPHY. Senator—

Senator DOUGLAS. Well now, let me ask you this.

Why should we take on the support of the British West Indies when England is already paying to its colonies a price above the world market price? Why do we have to give them an added \$10 million?

Mr. SCHNITTKER. Senator, as I indicated, the formula, the procedure for apportioning the quota in the administration's recommendations was on the basis of performance in 1963 and 1964. It happens that most of the countries who had received quotas under the administra-

tion bill, and who had received substantial quotas, are developing countries to whom dollar exchange is extremely important. On this latter point there are some exceptions. And certainly you have raised the French West Indies and the British West Indies, which are exceptions to this rule.

But nonetheless, these are areas, countries, which did supply this market under periods of stress. We believe they would supply it in the future. And this is the overriding criterion for the apportionment of quotas in the administration bill.

Senator DOUGLAS. In other words, everybody is getting in on the act—you are distributing \$150 to \$200 million a year—and you might as well let the British colonies get \$10 million. You are playing Santa Claus to the world so why deprive the British West Indies of sugar-plums?

Well, what about that 10,000 tons for the Bahama Islands? Have they ever produced sugar before?

Mr. SCHNITTKER. They have not to my knowledge produced sugar and do not have a plant, as I understand it. This recommendation was not in the administration bill but was in the House bill.

Senator DOUGLAS. Do you recommend continuing it?

Mr. SCHNITTKER. We recommended that it be taken out.

Senator DOUGLAS. Be taken out.

Do we have—what about Australia? Australia is one of the most prosperous countries in the world. It is part of the British Commonwealth of Nations and is underneath the special protection which Great Britain gives for sugar.

Why should Australia get 162,000 tons, which amounts to—at \$70 a ton bonus—your arithmetic is better than mine.

Mr. SCHNITTKER. Australia is a recent entry to the suppliers of sugar to the U.S. market.

Senator DOUGLAS. \$11 million.

Mr. SCHNITTKER. She is a recent entry to the suppliers of sugar. But she come through very well in the period when sugar supplies were short. We believe that the inclusion of Australia in the foreign quota improves our chances for stable supplies in the future.

In addition—and Mr. Mann may have more to say on this than I would—Australia is a very important ally of the United States in southeast Asia and is in addition—

Senator DOUGLAS. In other words, this is a foreign policy provision.

Mr. SCHNITTKER. It is not primarily foreign policy provision. But I am mentioning one of the windfalls of the—

Senator DOUGLAS. Windfalls, yes.

Mr. SCHNITTKER (continuing). Of the basic objectives, or the side effects of the basic objectives of the allocation.

Senator FULBRIGHT. Will the Senator yield?

Senator DOUGLAS. For a brief time. I am not going to yield permanently.

Senator FULBRIGHT. In this connection, the Fiji Islands production is owned primarily by an Australian company. Under the administration's bill Australia's quota is 186,772 tons. I think an Australian company produces the sugar allocated to the Fiji Islands.

Senator DOUGLAS. I think that is true.

Senator FULBRIGHT. 186,772 tons.

Senator DOUGLAS. That would be about \$13 million.

Senator FULBRIGHT. She is not a recipient of foreign aid.

Mr. SCHNITTKER. Australia is not a recipient of foreign aid.

Senator DOUGLAS. They would be very offended if you said they were. But you are giving them, or at least the House is giving them, without your protest, \$15 million bonus on sugar.

Mr. SCHNITTKER. Actually the House reduced Australia's quota some 24,000 tons below the administration's recommendation.

Senator DOUGLAS. You would have given them even more. You would have given them a million and a half more. So you would like to have Australia more liberally rewarded than the House has done.

Do you know anything about India, Mr. Schnittker?

Mr. SCHNITTKER. I have not been to India.

Senator DOUGLAS. Nor have I.

Mr. SCHNITTKER. I know just a very little about it.

Senator DOUGLAS. Is it not true that the people of India suffer from a deficiency of food?

Mr. SCHNITTKER. It is.

Senator DOUGLAS. Yet you are going to have them export to us 65,000 tons of sugar, diminishing by that amount the potential calories which the Indians can eat. I have tried to do a little multiplication now. That would diminish the consumption of India by almost a pound per man, woman, and child, contributing to the malnutrition of the Indians, but rewarding the people who grow sugar in India approximately \$5 million.

Do you think this contributes to stable international relations, taking sugar out of the mouths of the Indian babies?

Mr. SCHNITTKER. India is offering sugar on the world market.

Senator DOUGLAS. Yes. At the expense of her people.

Mr. SCHNITTKER. And the fact that she can sell on the world market—at a premium in the case of the U.S. market—improves her ability to import badly needed foodstuffs and other things.

Senator DOUGLAS. Do you know that the money would be used for that purpose?

Mr. SCHNITTKER. We do not.

Senator DOUGLAS. Is it not true that we give—not sell—but give to India wheat which is keeping from one-third to one-half of her population alive? And I approve of that. But is that not true?

Mr. SCHNITTKER. Well, it is essentially true. But the figure one-third to one-half is far too high. We supply only the marginal 5 to 8 percent.

Senator DOUGLAS. Well, I am very glad that you are doing that. I have always supported the food-for-peace program. Senator Humphrey advocated it in the early days. I think I was the first person to come to his support, and I shall continue to do so.

But I do not like to see you putting wheat into the mouths of Indian people and taking sugar out at the same time—

Senator GORE. With the American taxpayer paying both ways.

Senator DOUGLAS. That is right. I do not object to food-for-peace. I do not. I want that clear. I am not making an argument against that.

South Africa, 30,000 tons, roughly. You recommended—

Senator FULBRIGHT. 96,000 tons.

Senator DOUGLAS. 96,000 tons. You were going to give them approximately \$7 million.

Now, do you think that the policies of South Africa are such that they should be given this big bonus? Is this in the interests of international relations, to reward South Africa?

Mr. SCHNITTKER. Senator, I am not prepared to comment on——

Senator DOUGLAS. Incidentally, you had 9,000 tons for Southern Rhodesia, which is now threatening independence from the British Commonwealth of Nations. Do you think Southern Rhodesia and South Africa, two of the most intransigent countries in the world in race matters, should be rewarded by these large sums of money?

Mr. SCHNITTKER. Senator, I cannot comment on that. I hope that others——

Senator DOUGLAS. You cannot? Why can you not?

Mr. SCHNITTKER (continuing). That others will, except to say again that the primary criterion for the apportionment of quotas in the administration bill was performance in 2 years.

Senator DOUGLAS. Was what?

Mr. SCHNITTKER. Was performance in 1963 and 1964. And it does happen there are certain problems with South Africa, and certain problems with Southern Rhodesia which others can comment on better than I could.

Senator DOUGLAS. Does this indicate a certain degree to doubt in your own mind as to whether or not this is justified?

Mr. SCHNITTKER. No, sir.

Senator DOUGLAS. Your mind is not in doubt. You support the original administration proposal? South Africa, 96,000 tons?

Mr. SCHNITTKER. Yes, I do.

Senator DOUGLAS. You do; \$7 million.

And now we come to the Fiji Islands, 45,000 tons in your recommendation; 24,000 as passed the House. When I was in the Pacific I never had the advantage of staying in the Fiji Islands. But what is the justification for the Fiji Islands?

Mr. SCHNITTKER. Again, Senator, the fact that when we needed sugar badly—and it was to the disadvantage of the Fiji Islands to ship it here; they could have made more money shipping it elsewhere——

Senator DOUGLAS. Why were they included in the first place?

Mr. SCHNITTKER. In the 1962-64 period they had—any country had the opportunity to ship sugar to this country on the global quota system.

Senator DOUGLAS. Did they not get a special quota, too, in the 1962 act?

Mr. SCHNITTKER. They had a very small quota in 1962.

Senator DOUGLAS. So this is in a sense a reward.

Mr. SCHNITTKER. In all cases it could be termed that, because the quotas are based upon performance——

Senator DOUGLAS. Is it not true that the Fiji Islands are included in the British system, as I have said, at about 5.7 cents a pound for sugar? Why cannot Great Britain take care of its Commonwealths and colonies? Why do we have to take up their white man's burden in addition? Are you not overloading the shoulders of Uncle Sam?

Mr. SCHNITTKER. I will have to defer comment on that to someone else.

Senator DOUGLAS. Do the British allow premium prices to any country outside the British Commonwealth or British Colonies, or Crown colonies?

Mr. SCHNITTKER. Mr. Murphy, I believe, could answer that.

Mr. MURPHY. Senator, They do not. The premium price is only to the members of the Commonwealth.

Senator DOUGLAS. That is right. But we give a premium price to members of the British Empire, or Commonwealth.

Mr. MURPHY. The biggest part of our premium price goes to members of the OAS.

Senator DOUGLAS. I understand. Do the British allow the OAS to come in under their premium price?

Mr. MURPHY. Under free imports, they can come in.

Senator DOUGLAS. Yes. But do they bring them in at the premium price?

Mr. MURPHY. No, sir. By the way, though, I believe that the fact that a million and three-quarters tons moves to the United Kingdom at five and three-quarter cents, and a considerable amount to France at a premium price, indicates pretty clearly that the world market price is not a real measure of value.

Senator DOUGLAS. Well, I am going to come to that matter later.

Now, Mauritius is, I believe, the most overcrowded island in the world, is it not?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. I regret the pressure of population on their natural resources. You propose to give them, however, about a million dollars at the world price—14,000 pounds.

What is the justification for that when they are already in the British Empire?

Mr. SCHNITTKER. Again, sir, the objective formula of performance in 1963 and 1964.

Senator DOUGLAS. Let us take Southern Rhodesia, as I have said—we have discussed that in connection with South Africa. They are going to get a bonus of about a little less than half a million dollars. And Swaziland—those are all in—what are they? Southern Rhodesia is part of the British Empire. Swaziland—is that part of the Empire or an independent state?

Mr. SCHNITTKER. It is in a transitional stage.

Senator DOUGLAS. For which the British assume transitional obligations; is that true?

Mr. SCHNITTKER. I believe that is correct.

Senator DOUGLAS. Now, you have the Malagasy Republic. Was that formerly a British or a French possession?

Mr. SCHNITTKER. French, I believe.

Senator DOUGLAS. Well, now, look. You are going to give them another half million dollars. Paris is still their financial backer. The money which Malagasy receives will be deposited in French banks, will be claims against the American dollar, as much as the dollars deposited by the Martinique and Guadeloupe planters.

No answer to that?

Mr. SCHNITTKER. Well, that is to the extent that your premise is correct, it would certainly occur in those countries, as well as others.

Senator DOUGLAS. Do the French allow the sugar from the OAS countries to come in?

Mr. SCHNITTKER. I believe they may import some sugar from Latin American countries.

Senator DOUGLAS. At what price?

Mr. SCHNITTKER. Not at a preferential price.

Senator DOUGLAS. Exactly. At the world price. But we admit sugar from Malagasy at domestic price, at present \$72 a ton more than world price.

Mr. SCHNITTKER. Yes, sir.

Senator DOUGLAS. Well, I would certainly be very critical on these quotas outside the Western Hemisphere.

It may well be that because of the coming of Castro to Cuba, that we do assume responsibility for preventing Communist governments from coming to power in the Western Hemisphere and certainly in the Caribbean area.

And it may be that in return for this, we have some economic obligation to them.

I would like to ask you, though, about Haiti.

I would think that the Government of Haiti is probably one of the worst governments in the world—there you have a President who maintains himself by a murder gang and overawes opposition in the most brutal way. Yet you wanted to give to Haiti about 19,000 tons, and the House gave 29,000 tons, which comes to a million and a half—more than that—\$1,600,000 a year, which goes into the hands of Dr. Duvalier.

Do you think this is a way to build up liberal democratic government in Latin America?

Mr. SCHNITTKER. Senator, Haiti has been a longtime sugar supplier. She meets the performance criteria which we have chosen for the administration bill. Certainly we engage in trade, import and export with many governments with whom many persons may not agree.

Senator DOUGLAS. You see, you shift back and forth. First you use the argument that it is a longtime supplier, then you use the argument they came to our help in time of need, then you use the argument in behalf of the development program.

Mr. SCHNITTKER. Senator, I use always the primary argument of supplies to this market during 1963 and 1964. Some of the other elements which we have discussed happened. It happens that Haiti has a government which some persons in this country object to.

Senator DOUGLAS. I like the Government of Venezuela, and I approved of the former policy of the State Department in supporting former President Betancourt. It is also true, however, that Venezuela is the most prosperous of all Latin American countries—the per capita gross national product is in excess of \$500. It is the most prosperous country there.

Now, you recommended a small quota for them, a little less than 3,000 tons, but the House multiplied it by over 10 times to about 31,000 tons, which would be over \$2 million. Do you stand by the House provision?

Mr. SCHNITTKER. We stand by the administration's provision.

Senator DOUGLAS. Of 3,000 tons.

Mr. SCHNITTKER. Yes, sir.

Senator DOUGLAS. All right. This proposal I would agree with you, except that I would strike out the 3,000 and have zero.

Now, British Honduras, the House has 19,000 tons. I never thought that British Honduras was a stronghold of liberal democratic government under the present doctor.

Mr. SCHNITTKER. We have recommended only 4,000 tons on the basis of her performance in 1963 and 1964.

Senator DOUGLAS. Yet they come in for 20,000 tons.

Mr. SCHNITTKER. Under the House bill.

Senator DOUGLAS. Who is the Premier or Prime Minister of the British Honduras?

Mr. SCHNITTKER. I cannot say.

Senator DOUGLAS. Could the State Department not tell us who the Premier is?

Mr. SCHNITTKER. It is a British territory.

Senator DOUGLAS. Well, the Prime Minister.

Mr. SCHNITTKER. No one here apparently can answer that question, Senator.

Mr. MANN. I did not hear the question.

Senator DOUGLAS. If they do not know that, how can they tell how much sugar they should give.

This man has been in the newspapers for years.

Mr. SCHNITTKER. Mr. Mann believes a gentleman named Price is the chief officer of the British Honduras.

Senator DOUGLAS. What is the name?

Mr. SCHNITTKER. A man named Price.

Senator DOUGLAS. Price?

Mr. SCHNITTKER. Price.

Senator DOUGLAS. He is the chief British representative. I mean the native Prime Minister, not the British front.

Mr. MANN. Senator, I am not sure that my memory is right, but I think the principal leader in Honduras, indigenous leader, is named Price. He was born there of Negro parents, and, as is often the case, they bear English names when they come from English territories.

Senator DOUGLAS. Senator Fulbright, you ought to know about this.

Senator FULBRIGHT. I do not know.

Senator DOUGLAS. This man is supposed to be a dentist. I think his name begins with "J."

Mr. MANN. You are thinking about British Guiana.

Senator DOUGLAS. Excuse me. I apologize. The State Department is not as dumb as I thought they were.

Mr. MANN. Mr. Jagan is not the Prime Minister there. It is a man by the name of Burnham.

Senator DOUGLAS. You are exactly right, Mr. Mann. I made an error.

Let me say that I am opposed to this quota system. With this differential of many dollars per ton, hundreds of millions of dollars per year, you are going to have great pressures on the allocation of quotas. The economic incentive is there and pressures come inevitably.

I do not blame anyone connected with it from trying to get these amounts. It is inevitable. The fault is in the system. The sugar bowl is outside and the flies congregate.

I would favor the continuation or reimposition of an import fee. I would favor impounding the funds and have it used as an addition to

the Alliance for Progress. And I would favor a world price based not on present prices, because I think those are world prices, unduly low, but on a 15-year moving average, which, on the basis of my computations for the last 15 years, would come to approximately 4.2 cents a pound, and that the present difference between 4.2 and 6.8 or \$52 a ton go into the Treasury. And I would favor confining our purchases in the main to the countries for which we have an implicit responsibility to defend against communism.

I do not think we can take on the French and British possessions in Latin America or the islands of the Pacific, such as Fiji and Mauritius, or the territories of the interior of Africa first visited by Dr. Livingston and Stanley a century ago. I do not see the reason for Swaziland, or Southern Rhodesia, or Malagasy. I might make an exception for Ireland.

But I think that my proposal would be more constructive.

Mr. Chairman, you have been very indulgent to me. I appreciate your kindness.

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Let us see. I think—yes, Senator Curtis.

Senator CURTIS. I will try to be very brief, Mr. Chairman.

I want to say for the record that I think we must have a Sugar Act, so far as the domestic end of it is concerned, and it should be one for a reasonable period of years.

What is the price of the sugar obtained domestically?

Mr. SCHNITTKER. About 6 or 7 cents per pound.

Senator CURTIS. That is a fair price to the consumers, is it not—considering our wage scale and the standard of living and the cost of everything else?

Mr. SCHNITTKER. This is a raw sugar price which I quoted.

Senator CURTIS. Yes. But I mean what it ultimately ends up across the counter, it is a fair price, is it not?

Mr. SCHNITTKER. About 11.6 cents per pound is the retail price of refined sugar in the United States.

Senator CURTIS. Well, compared to other prices it has had less inflation than most any other article that the Americans buy, is that not right?

Mr. SCHNITTKER. This has been very stable over the years.

Senator CURTIS. In other words, there is no segment of our society that has any just complaint that it is being overcharged for domestic sugar, is that right?

Mr. SCHNITTKER. I have not heard any particular complaints about the price of sugar.

Senator CURTIS. No. As a matter of fact, it is one of the lowest prices of anything that people can buy, compared to past years. Is that right?

Mr. SCHNITTKER. Well, compared with a number of years ago, before the Second World War, yes.

Senator CURTIS. The world price is kind of an illusive term, is it not?

Mr. SCHNITTKER. Excuse me?

Senator CURTIS. When they talk about the world price, that is rather an illusive term. There is not too much sugar ever moves in the world price, is there? Is not most of the sugar that is consumed involved one way or another in some regulated program of some country?

Mr. SCHNITTKER. That is correct. Nonetheless, in certain markets, New York, London, there are organized sugar markets which quote a world price.

Senator CURTIS. They quote a world price. But the volume of sugar consumed by the world, other than the Communist world, only a small portion of it—

Mr. SCHNITTKER. Only about 10 percent of the world production will move through those markets.

Senator CURTIS. Based upon the bill you recommend, percentage-wise, what portion will the domestic producers have?

Mr. SCHNITTKER. The domestic producers, not including the offshore areas?

Senator CURTIS. State it both ways, please.

Mr. SCHNITTKER. About 65 percent including the offshore areas, and about 40 percent including just the mainland areas.

Senator CURTIS. The 40-percent mainland areas—has it ever been higher than that?

Mr. SCHNITTKER. It has not.

Senator CURTIS. What about the increased consumption due to the growth factor?

Mr. SCHNITTKER. The domestic areas would not share in the growth between total requirements of 9.7 and 10.4 million tons. But above 10.4, and below 9.7, the domestic areas will share in the increase or the decrease according to a factor of 65 percent.

Senator CURTIS. 65 percent?

Mr. SCHNITTKER. To the domestic producers.

Senator CURTIS. That is offshore included.

Mr. SCHNITTKER. Yes sir?

Senator CURTIS. That includes offshore?

Mr. SCHNITTKER. Just the mainland in this case.

Senator CURTIS. After we reach 10.4, the mainland will receive 65 percent of the growth factor?

Mr. SCHNITTKER. That is correct.

Senator CURTIS. When do you expect to reach 10.4?

Mr. SCHNITTKER. About 1971.

Senator CURTIS. How much will the growth factor be after that?

Mr. SCHNITTKER. About 100,000 tons per year, which would be about 1 percent.

Senator CURTIS. 100,000 tons per year. How many acres of beets is that?

Mr. SCHNITTKER. About 40,000 acres of beets.

Senator CURTIS. If it all went to beets?

Mr. SCHNITTKER. Yes.

Senator CURTIS. How many acres of cane does it take to make a hundred thousand tons?

Mr. SCHNITTKER. About the same in the United States mainland.

Senator CURTIS. Where were the six factories located, pursuant to the new area reserve in the 1962 act?

Mr. SCHNITTKER. One in New York, one in Texas one in the Red River Valley—and I am not sure what State that is—North Dakota, I mentioned Maine, New York—

Senator CURTIS. One in Maine?

Mr. SCHNITTKER. One in Maine.

Mr. MURPHY. California, Arizona, North Dakota, Maine, New York, and Texas.

Senator CURTIS. Have Maine and New York been producing?

Mr. MURPHY. No, sir. New York will start this year, and Maine will be ready next year.

Senator CURTIS. Now, if the bill is enacted, as you recommend, and after this period of leveling out of inventory is over what beet growers will have to take an acreage cut?

Mr. SCHNITTKER. I believe all the beet growers in the country would be liable to an acreage cut in the event that yields per acre and consumption combine to require an acreage cut.

Senator CURTIS. The——

Mr. SCHNITTKER. Including the new areas.

Senator CURTIS. In other words, the growth factor is not enough to prevent an acreage cut?

Mr. SCHNITTKER. No. I am saying that in the event yields were to go up very rapidly, it is at least possible that the growth factor would not be enough to prevent an acreage cut.

Senator CURTIS. Then you have not provided enough growth factor to take care of the technological advances that might incur in increased production.

Mr. SCHNITTKER. I would not say that. I only mention the possibility that this may be the case.

Senator CURTIS. Now, what you propose that we buy from foreign countries, percentage-wise, how much of that will come from the Western Hemisphere? A percent of the total foreign purchase.

Mr. SCHNITTKER. About three-quarters, not counting the 1 million tons from the Philippines.

Senator CURTIS. Would come from the Western Hemisphere?

Mr. SCHNITTKER. Yes.

Senator CURTIS. The table on page 40 of the committee print looks like the administration recommended purchase of 1,720,555—I assume that is tons—from the Western Hemisphere, from countries outside, 2,260,000.

Are those figures correct?

Mr. SCHNITTKER. The ratio is more like three-fourths than two-thirds.

Senator CURTIS. Three-fourths. It looks like to me that you are going to purchase more outside the Western Hemisphere.

Mr. SCHNITTKER. The 1,720,000 tons is from the Western Hemisphere, 2,260,000 is total—with the difference of about 540,000 tons coming from outside the Western Hemisphere.

Senator CURTIS. Since we have had a Sugar Act, and excluding emergency situations, when did we start buying outside the Western Hemisphere?

Mr. SCHNITTKER. In any quantity, only in 1961 or 1962. Except for the Philippines, of course.

Senator CURTIS. We did buy prior to the act of 1962?

Mr. SCHNITTKER. I believe it is correct that we had small quantities from Formosa and possibly some other.

Senator CURTIS. Small quantities. We are buying about 500,000 tons now—you are recommending.

Mr. SCHNITTKER. We would recommend about 500,000 tons.

Senator CURTIS. And that has all come about since we went on the global quota.

Mr. SCHNITTKER. And particularly since the departure of Cuba from the U.S. sugar market.

Senator CURTIS. Now, when Cuba comes back into the world of free nations, who is going to get that?

Mr. SCHNITTKER. Well, under the administration bill, when Cuba is back among the free nations, she could have 57 percent of the authorization for foreign countries, apart, I believe, from the amount authorized for the Philippines. And this would, of course——

Senator CURTIS. But it will not reduce the domestic.

Mr. SCHNITTKER. It would not, under the act, reduce the domestic. It would fall upon the other suppliers who now gets parts of the basic Cuban quota, according to their basic quota under the proposed act.

Senator CURTIS. It looks like we are making a permanent guarantee, or launching our program to become permanent, of 500,000 tons outside the Western Hemisphere, and not too long ago it was negligible.

Mr. SCHNITTKER. That is correct.

Senator CURTIS. Yet you state in your statement:

In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of this extension.

Now, what acreage cutbacks do you anticipate, say, in the last 4 or 5 years of this extension?

Mr. SCHNITTKER. I am going to ask Mr. Murphy if he can respond to that, sir.

Mr. MURPHY. Yes, Senator. In 1960 I believe there was 900-and-some-odd thousand acres of sugarbeets growing. And in 1964 there was 1,450,000 acres.

There are restrictions in effect this year. The level of those restrictions is 1,375,000 acres. There has been a hearing held with respect to the recommendations of growers for next year's crop, and they have recommended a further small reduction for 1966. Beyond that, it is going to depend a great deal on the weather and the yields. Nobody can really say which way it will go.

Senator CURTIS. It is figured so close that there may be cuts throughout the life of this extension?

Mr. MURPHY. There may be a cut in 1966. I would suspect that that would be the last cut.

Senator CURTIS. Now——

Mr. MURPHY. That is from the much higher level that had been achieved by 1964.

Senator CURTIS. How about this going outside the Western Hemisphere? Is that going to be cut?

Mr. MURPHY. It will not be cut. In other words, the domestic——

Senator CURTIS. The only way it will be cut is if Cuba comes back into the picture.

Mr. MURPHY. That is right. The domestic areas would get a big immediate increase in marketing allotments, and then for a period of years the foreign countries would get whatever market increases are available to bring about a reestablishment of the present balance between domestic and foreign sources.

Senator CURTIS. As I said earlier, we have to have a Sugar Act, and we have to have it this year, and it should be for a reasonable period of years so the domestic producers, both cane and beet, can rely upon it, and we can have order in the industry.

But I must say that I disagreed with the global quota. I think the results were bad. I think that it caused frantic buying all over the world, and a great many producers outside the Western Hemisphere now have gotten what was predicted would happen—a permanent place in our sugar market at a time that we are still beset with a multitude of agricultural problems. Is that right?

Mr. SCHNITTKER. Well, we are certainly beset with many agricultural problems. But at the same time U.S. producers would have the biggest share of the U.S. sugar market that they ever had, even though the beet acreage would be somewhat smaller.

Senator CURTIS. Well, of course, we are not talking about something that they should not have, are we?

Mr. SCHNITTKER. No, we are not. We are talking, I think, of a sugar supply situation where we produce enough in the right areas at home so that we can have a stable supply, and where we have a diversified and assured group of foreign suppliers.

Senator CURTIS. Do you anticipate that these new areas will be successful?

Mr. SCHNITTKER. I think we have every reason to believe that they have been picked carefully, and that they will be successful.

Senator CURTIS. Reliable companies are involved?

Mr. SCHNITTKER. Reliable companies, and a great deal of pilot study and research going into the character of the sugarbeets grown in the areas.

Senator CURTIS. But it is the policy of the Department of Agriculture to bring such expansion to a close.

Mr. SCHNITTKER. It is, and it is made necessary.

Senator CURTIS. Why?

Mr. SCHNITTKER. By virtue of the fact that it is simply inconsistent to cut back sugar growers in Nebraska and Colorado and North Dakota, at the same time we are authorizing new plants—

Senator CURTIS. I am not suggesting that. I am not suggesting you take away from one group of domestic people and give it to another one. Not in the least. My primary obligation is to the people in the sugar business now, that they not be destroyed, and not give it to somebody else.

But you have developed here the last 4 years, and you are recommending a program of going clear outside the Western Hemisphere for very substantial amounts of sugar, and taking a position, as announced in your paper here, opposed to any part of domestic agriculture sharing this.

Mr. SCHNITTKER. Well, I would argue that domestic agriculture has shared in this by virtue of the expansion in sugar acreage in this country over the past few years when there were no restrictions. But we have struck a balance here between—

Senator CURTIS. Who decided that balance?

Mr. SCHNITTKER. The administration in recommending a bill has urged the Congress to consider enacting certain balances laid out in the bill.

Senator CURTIS. Well, has the Department of Agriculture, that is supposed to be representing the American farmers—do they fully agree with this, with this big purchase of sugar outside the Western Hemisphere?

Mr. SCHNITTKER. We are fully agreed with it, sir.

Senator CURTIS. And you are fully agreed with the statement that the long-term growers will be subjected to further cuts, and that new localities are out.

Mr. SCHNITTKER. I believe——

Senator CURTIS. That is what you said in here.

Mr. SCHNITTKER. There is the prospect that old areas may continue to be subject to acreage cuts, and we recommend that no new areas be brought in.

Senator CURTIS. Is there any dollar shortage among American farmers?

Mr. SCHNITTKER. Well, there is a dollar shortage among American farmers, as everywhere else. But they will have a billion dollars more net income this year than last year, and \$2 billion more than 5 years ago. So the dollar shortage is improving.

Senator CURTIS. That is counting direct Government payments.

Mr. SCHNITTKER. Yes, sir.

Senator CURTIS. And it is a little less than it used to be in the marketplace; is that right?

Mr. SCHNITTKER. I think——

Senator CURTIS. In 1964, it was about three-quarters of a billion dollars less than the American farmers derived in the marketplace than, say, 4 years ago.

Mr. SCHNITTKER. The value of farm products marketed—I think that is correct.

Senator CURTIS. That is all, Mr. Chairman.

Senator McCARTHY. In 1962 I thought it was unwise when the global sugar quota concept was presented. Where did the global quota concept come from—the State Department or Agriculture?

Mr. SCHNITTKER. Senator, I am going to defer to my colleague, Mr. Murphy, here.

Mr. MURPHY. Senator, I think that was discussed in both Departments, over a substantial period of time. I do not believe that you can identify it with one or the other.

Senator DOUGLAS. Well, let me take the responsibility. I advocated global quotas, and the import fees. And while it is true in 1963 and 1964 world price rose above domestic price, these were exceptions in a 28-year history, and the general tendency has been for the domestic price to be in excess of world prices. If there were blame which there is not let it be mine. If there is credit, I am modestly going to ask for it. It did save \$41 million. This year it would have saved over \$200 million.

Senator McCARTHY. I am going to let you take your own personal blame. But I want to find out who in the administration supported your position. And then ask whether they think it was a mistake or not.

Mr. SCHNITTKER. Senator——

Senator McCARTHY. Senator Douglas has admitted he made one mistake.

Senator DOUGLAS. Quite the contrary. As a longrun policy, that is correct.

Senator LONG. It might be a good idea—he just picked the wrong year.

Senator WILLIAMS. It would still be a good idea if they kept all of his suggestions, but they dropped one.

Senator DOUGLAS. Excuse me. I did not wish to interfere with my friend. But I did not want to have him condemn either the Agriculture Department or the State Department. They have enough sins to answer for. But they did finally support us, and I think for the time they did, it is to their credit.

Mr. SCHNITTKER. In the circumstances that could be foreseen only dimly in 1962, but which did prevail in 1963 and 1964, the global quota concept worked very well. If we had had strict country to country quotas, we might very well have had a greater emergency than we had. Nonetheless—

Senator McCARTHY. So far as we can judge from things like price, it was a failure in terms of the cost to the consumer. Yet in 1962 we were assured this would not happen if we had global quotas.

Mr. SCHNITTKER. Senator, I think you are attributing to global quotas an effect which must be attributed to the world sugar situation, including the changed role of Cuba in the U.S. market.

Senator McCARTHY. But you had commitments earlier during World War II which were kept by some of the countries. In fact, what you said in 1962 was we are going to buy as cheaply as we can in the world market, did you not?

Mr. SCHNITTKER. I think that is approximately correct.

Senator McCARTHY. Now, I want to move from that to the manner in which you determined the quotas for 1965.

What was the basis for your allocation of quotas in 1965?

Mr. MURPHY. Yes, sir. The allocation of the quotas was on the basis of importation in 1963 and 1964. Of course a large portion of them were on a voluntary basis.

Senator McCARTHY. Yes. And this was in the nature of a reward, was it not?

Mr. MURPHY. Senator, I would not put it that way. The foreign quota provisions of the Sugar Act expired at the end of 1964, and so did the fee provision—at the end of 1964.

Now, other obligations that the Secretary of Agriculture had under the Sugar Act did not expire. He was still under an obligation to try to regularize the sugar supply and the price in the U.S. market, and to provide quotas for domestic areas.

With that type of obligation, he, under section 403 of the Sugar Act, drew on his general powers to find the source of foreign sugar imports. But he was advised, and I am sure correctly by legal counsel, that he could not use those general powers to assess an import fee. Without an import fee, of course, a global quota would have been completely incompatible.

Senator McCARTHY. Did anyone in the administration, in either Agriculture or State, go to the foreign countries in 1963 or 1964 and say, "If you ship to us now, we will give you a favorable quota in 1965"?

Mr. MURPHY. Senator, there was a wire sent to our embassies in all sugar-exporting countries, and it said, and I quote:

Total 1964 deliveries, particularly those shipped or committed early by individual countries, will have a strong bearing on the administration's recommendations to the Congress regarding allocations of country quotas after 1964.

Senator McCARTHY. This was not a recommendation of Congress. This was an action you took independently. The Congress did not participate directly in the allocation of quotas in 1965. This was done——

Mr. SCHNITTKER. That is correct. And the wire, I believe, that Mr. Murphy read said that that would have a strong effect on the administration's recommendations.

Senator McCARTHY. To Congress.

Mr. SCHNITTKER. To Congress.

Senator McCARTHY. But these are not recommendations to Congress. This is in a sense recommendations to yourself.

Mr. SCHNITTKER. We indicated to these countries that their performance in the sugar market in this year would influence the administration's recommendations to the Congress for the future.

Senator McCARTHY. There is nothing in the record which would suggest that you use only 1963 and 1964, was there, in terms of anything Congress said?

Mr. SCHNITTKER. Nothing to my knowledge in the record. This judgment was made on the basis of the relative sacrifice which countries incurred in shipping sugar to the United States in 1965.

Senator McCARTHY. It did involve a sacrifice.

Mr. SCHNITTKER. It did on the part of many, yes.

Senator McCARTHY. This takes me to the next question.

We have had testimony with reference to the Dominican Republic, that it costs them about 11 cents a pound to produce sugar.

Their quota, at least what they might have expected on the basis of their supplying the American market, could have been much higher than what you recommended.

It seems to me that what you asked them to do in 1963 and 1964 was to deliver sugar to us at a loss—if their production costs were as high as administration spokesmen say they were and are.

Now, how does this fit into our foreign policy with reference to the Dominican Republic? The general judgment and statements we have had through the last 2 or 3 years have been that this country, has one of the lowest per capita incomes of all of the Central American countries and was a hotbed of communism, we were told. Yet somebody in the administration, knowing that it was costing them more than 10 cents a pound to produce sugar, asked them to make a sacrifice in order to supply the American market, even after the administration had said we are going to go into the world market and buy sugar as cheaply as we can. Although we knew the serious economic problems of these countries, we turned around and said: "We do not want you to sell it at whatever price you can get, even if that price barely gives you the cost of production. Sell it to us for a lower price."

Mr. SCHNITTKER. Senator, I do not know that figure of 11 cents a pound for cost of production, and I am very skeptical generally of cost of production figures, unless I know what the components are.

Senator McCARTHY. These are State Department figures given to us in the Foreign Relations Committee.

Mr. SCHNITTKER. If one knows what the cost being attributed to rents, to land, and so forth, one can——

Senator McCARTHY. Well, what is your estimate of the cost of sugar production in the Dominican Republic?

Mr. SCHNITTKER. I would not comment on the Dominican Republic. I think in Latin countries it tends to be in the area of 4 to 5 cents, including costs—rents attributed to land.

Senator McCARTHY. Well, the State Department witnesses say 11 cents.

Mr. SCHNITTKER. I cannot confirm that. But I would not want to say it is not true.

Senator McCARTHY. Do you think it unreasonable that the Dominican Republic would sell its sugar in the world markets, where it might get 11 cents a pound for it, rather than deliver it to us at 6 or 7 cents a pound?

Mr. SCHNITTKER. May I ask Mr. Murphy. But I really doubt if costs are 11 cents in the Dominican Republic that they would be producing sugar.

Mr. MURPHY. Senator, the wire that you spoke of was sent to the post abroad, in the late fall of 1963. It had to do with supplying 1964 requirements for the United States. At that time Russia had started to buy wheat from Canada—a hurricane had struck Cuba. The world price was 11 cents. Our price was much lower. The price at which they supplied us was still a very remunerative price to anybody who could produce sugar in the area of 4 to 5 cents.

Senator McCARTHY. The testimony we have is that the Dominican Republic could not produce it at that price.

Mr. MURPHY. The Dominican Republic, of course, did get their cost structure out of line I think as much in 1964 as they had in 1963—some of this distortion of the cost structure occurred after October 1963. And I think that the two nongovernment operations in the Dominican Republic can produce sugar and have produced sugar steadily at a price much below 11 cents.

Senator McCARTHY. Well, the point I am raising is whether or not you feel that it is an unreasonable demand to make upon the Dominican Republic: to supply sugar to our market at, say, 6 cents a pound when it appears it is costing them 11 cents a pound to produce it. "If you don't do that, we are going to cut down your quota for 1965." And at the same time the general judgment was that this was a very dangerous area in Central America——

Mr. SCHNITTKER. To authorize them a quota would not be, of course, to demand or to require that they send it.

Senator McCARTHY. In effect you are saying, "If you don't send it to us, this is what is going to happen to you," even though you also said in 1962 that our policy is every man for himself.

Mr. SCHNITTKER. I think that the Dominican Republic would probably be very glad to send the amount of sugar which is authorized this year, next year, the year after, at the price of around 5½ to 6 cents a pound, which would indicate that they are either losing a lot of money down there, or the cost of production is below that price.

Senator McCARTHY. We have had testimony from administration spokesmen, in another committee of this body, that it costs 11 cents a pound to produce sugar in the Dominican Republic.

I only want to know which statement is right——

Mr. SCHNITTKER. I think as Mr. Murphy explained there are——

Senator McCARTHY. They both cannot be right.

Mr. SCHNITTKER. Some very special conditions raised costs in the Dominican Republic I believe for the 1964 crop, on a limited part of the sugar production area of the island.

Senator McCARTHY. This brings us to the point—why, if this is the case, do you then apply this 1963–64 formula against this country and then give quotas, as Senator Douglas has pointed out, to South Africa? Why to South Africa?

Mr. SCHNITTKER. Senator, as I said, the primary guide for our quota recommendation was past performance. But there are provisions in the act——

Senator McCARTHY. It really was not past performance. It was 1963–64 performance.

Mr. SCHNITTKER. Yes.

Senator McCARTHY. Well, where did that formula come from? Is that a State Department formula, or is this Department of Agriculture? This was not a Senator Douglas formula.

Mr. SCHNITTKER. This was an administration formula, jointly arrived at, but which is supplemented by a provision which would authorize the President to suspend the quota of any country in the event he found it in the interests of the United States.

Senator McCARTHY. Did Department of Agriculture officials meet with any people registered as lobbyists on the sugar bill in 1965?

Mr. SCHNITTKER. I cannot speak for everyone in the Department of Agriculture, but I know of no one in the Department of Agriculture who has met with such people.

Senator McCARTHY. Would it be possible to check the records?

Mr. SCHNITTKER. I think it would, to a limited extent—certainly the official record.

Senator McCARTHY. Would you have that kind of check made and give us a report—if it is a public report—on the lobbyists registered with reference to the Sugar Act who were consulted by the administration, at least the Department of Agriculture officials, before the 1965 quotas were issued?

Mr. SCHNITTKER. Who were consulted by——

Senator McCARTHY. Who met with officials.

Mr. SCHNITTKER. We will be glad to furnish a list, but we think there would not be any list.

Senator McCARTHY. You think there were no such discussions? That is, by people representing Latin American countries?

Mr. MURPHY. Senator, before an action is taken under the sugar program which affects the market for sugar, discussions are never held by anybody in the Department of Agriculture with anybody outside the Government. To do so of course would give an advantage to whoever that person might be.

Senator McCARTHY. Before quotas are assigned, there are no discussions with anyone outside the Department of Agriculture?

Mr. MURPHY. Before that action is taken, that is right.

Mr. SCHNITTKER. I think Mr. Murphy is mentioning the situation where we would be allocating a deficit to a number of foreign countries—or the initial action in 1965—prior to 1965. But to my knowl-

edge—I was not engaged in sugar discussions until June of this year—no one in the Department met with foreign representatives—representatives of foreign governments for the purposes of discussing allocation of sugar quotas.

Senator McCARTHY. In 1965.

Mr. SCHNITTKER. In 1965.

Senator McCARTHY. Or in 1964, before the 1965 quotas were set?

Mr. SCHNITTKER. Yes.

Senator McCARTHY. I have no further questions.

Senator LONG. Senator Hartke?

Senator HARTKE. What is the position, or are you making any statements concerning the question of suspending the quota for any country that expropriates property of the United States? Is that a State Department question?

Mr. SCHNITTKER. It is really a State Department question. There is authority for the President to act in that kind of a situation and I think each case would certainly have to be judged on its own merits.

Senator HARTKE. Did you help to write the administration bill?

Mr. SCHNITTKER. The administration bill was substantially drafted before I became Under Secretary.

Senator HARTKE. I am not asking you personally. Did the Agriculture Department help to draft the administration bill?

Mr. SCHNITTKER. The Agriculture Department did help to write the administration bill, I think took part in all the discussions within the Government and with the industry.

Senator HARTKE. Did such a question regarding expropriation—was such a proposal made in the administration proposal?

Mr. SCHNITTKER. Not specifically.

Senator HARTKE. If it was not done specifically, how was it done unspecifically?

Mr. SCHNITTKER. The President would have authority to suspend the operation of the quota for any country if it were in the interests of the United States. I believe that this could include the matter of expropriation as well as other matters.

Senator HARTKE. Well, what you are saying is that—now, I have here—is this the administration bill, S. 2567, introduced by Senator Long?

Mr. SCHNITTKER. Yes.

Senator HARTKE. I refer to page 21, line 10—will you explain what line 10 and 11 mean?

Mr. SCHNITTKER. That provision repeals a subsection of the law which deals in some detail with expropriation and related matters.

Senator HARTKE. All right. Now, will you explain to me what that means? In other words, why was this put in, what did it intend to do? If the section didn't intend to do anything, why was it put into the bill? If it did intend to do something, what did it intend to do?

Mr. SCHNITTKER. Why was this line 10 and 11 put in the bill?

Senator HARTKE. In other words, I want to know what it means. Why was it there, did it intend to do something, did it not intend to do something? If it did intend to do something, what was the intention?

Mr. SCHNITTKER. It was intended to repeal the specific language—

Senator HARTKE. Not intended—it repealed.

Mr. SCHNITTKER. It repealed the specific language and left in place of it broad authority in another section which permits the President to suspend the quotas in the interests of the United States.

Senator HARTKE. Why was it deemed necessary to repeal subsection (c) of section 408 of the bill?

Mr. SCHNITTKER. I would like to ask the General Counsel to comment, but I believe this is probably a question that the State Department could better respond to.

Mr. BAGWELL. All I can say, Senator, is, I would have to leave it up to the State Department. We worked with the State Department and other agencies of the Government in developing the bill. I believe their decision is largely responsible for this particular provision.

Senator HARTKE. Are you familiar at all with the interest equalization tax law?

Mr. SCHNITTKER. I am not.

Senator HARTKE. Are you familiar with the House bill?

Mr. SCHNITTKER. The House sugar bill?

Senator HARTKE. H.R. 1135.

Mr. SCHNITTKER. Yes, sir.

Senator HARTKE. Are you familiar with that portion which is on page 29, beginning at line 2, dealing with section 11, subsection 4, which amends subsection (c) of 408 of the Sugar Act? Are you familiar with that part of the House bill? I wanted to identify it for the record.

Mr. SCHNITTKER. I am familiar with it, and it substantially reinstates the language which the previous language we had discussed deleted.

Senator HARTKE. It does more than reinstate it, doesn't it?

Mr. SCHNITTKER. It does.

Senator HARTKE. It strengthens it, doesn't it?

Mr. SCHNITTKER. It broadens it.

Senator HARTKE. Strengthens it, doesn't it?

Mr. SCHNITTKER. I would not comment on that.

Senator HARTKE. Would counsel care to comment on it or does he not want to comment?

Mr. BAGWELL. I would not want to comment on it. I think this is a provision that you will get better information on from the representatives of the State Department.

Senator HARTKE. You did not consider this portion of the bill?

Mr. SCHNITTKER. Certainly——

Mr. BAGWELL. We are not in favor of it, if that's what you mean.

Senator HARTKE. You are not in favor of this portion of the bill, are you?

Mr. BAGWELL. No, sir.

Senator HARTKE. That is what I thought in the first place. I am glad we got a quick statement on that.

Now, why are you not in favor of it?

Mr. SCHNITTKER. The foreign relations features, such as this provision of the bill, we defer to the State Department, both in this hearing and in the preparation of the bill.

Senator HARTKE. Now, counsel stated that you are not in favor of it. Do you know why you are not in favor of it, or have you just been advised that it is administration policy? I can understand that. If

you have been advised that this is the administration policy, I expect you to be a loyal, devoted administration follower, as I am.

Now——

Mr. BAGWELL. Senator, the State Department is prepared to comment on this.

Senator HARTKE. Well, are you prepared to comment on it?

Mr. BAGWELL. No, sir; we are in agreement with the State Department.

Senator HARTKE. Well, let me ask you then, without reference to the State Department—do you think that the question of any nation expropriating property of the United States or business of the United States should be a factor in consideration of whether or not the Agriculture Department allocates a quota to them?

Mr. SCHNITTKER. I believe it should be a factor, Senator, and I believe also that the President, in conducting foreign policy, would have adequate authority under the provisions of the administration bill to take such actions, including expropriation and similar action, to suspend quotas in the interests of the United States.

Senator HARTKE. Just so we are not confusing the issue, let's put it into its proper place.

The truth of it is that the administration, by the testimony of counsel here, is opposed to that portion of the bill which is on page 29, line 2, and beginning there with No. 4. Is that true?

Mr. SCHNITTKER. That is true.

Senator HARTKE. Specifically on page 21 of the bill, S. 2567, introduced on behalf of the administration by the distinguished Senator from Louisiana, Mr. Long, beginning with line 10, specifically repeals subsection (c) of section 408 of the sugar bill, which deals with the question of expropriation.

Is that true?

Mr. SCHNITTKER. That is correct.

Senator HARTKE. So there isn't any question about this fact, but there is something here that the administration did not want in this bill, did not want in this act, and deals with the question of expropriation. Isn't that true?

Mr. SCHNITTKER. That is correct.

Senator HARTKE. All right.

Now, do you receive your advice from the State Department in advance, before the allocations of the quotas are made as to what the policy of the United States is in regard to these countries? Are you advised specifically that this country shall not be considered, or shall be considered, in view of the circumstances? Or how is this information transferred back and forth?

Mr. SCHNITTKER. Certainly under the provisions of the administration bill, under which this authority would be carried out in the future, we would consult with the State Department.

Senator HARTKE. I didn't ask that. I ask you under the law how do you receive this communication, how is it done? Does the State Department advise you that a country is not to be considered for quota, or is this done in consultation, in which you have a discussion about it and you examine what has happened? Who makes this initial determination—you or the State Department?

Mr. SCHNITTKER. Under present law, at a time when the Department of Agriculture had quotas to allocate, deficits, for example, we

would normally consult with the State Department to see if there were problems—if they had an interest in the allocation of the quota for the deficit.

Senator HARTKE. Yes. But now let's say in a case where there was a quota assigned—does the State Department transmit any information to you that it is in the interests of the United States to continue this quota? Do they give you a listing of those countries which are considered to be in favor of the United States, to where the quota can be continued, or where it is to be discontinued, or suspended?

Mr. SCHNITTKER. I would say it is not that formal, Senator, but rather handled on an informal basis.

Senator HARTKE. Well, it can't be—I mean, in other words, it has to be rather formal, if you are going to suspend an operation, a whole quota for a country. There has to be a rather formal action somewhere along the line. Who makes that decision?

Mr. SCHNITTKER. We have not made such a decision, Senator, and hence we have informal discussions and have apparently arrived at a conclusion that there was no such situation which needed attention, hence no determination was made.

Senator HARTKE. All right.

Now, if that is true, are you aware of any factors which encourage anybody in the administration to insert this provision which would have limited the authority in regard to expropriation rather than to broaden it as done in the House bill?

Mr. SCHNITTKER. I am not aware of the background on this discussion, but I would rather say that the language which is in the administration bill is somewhat broader than the language in the previous law or the House bill.

Senator HARTKE. Let me point out that the amendment which I submitted and was adopted under the interest equalization tax is in substance the same general provision in the House bill in this section. There is no question what my own opinion might be, if you have any hesitancy at this moment in making that determination.

What I am trying to find out is whether or not it is administration policy to be opposed to this type of proposition or in favor of it. I understand what you are saying, generally speaking, is that the Agriculture Department does not care to express an opinion upon this matter and is making its decisions in consultation and not by directive from the State Department is that true?

Mr. SCHNITTKER. That is correct.

The CHAIRMAN. We have been in session now for 3 hours. The Chair would suggest a recess until 2:30.

Senator HARTKE. Mr. Chairman, let me say—

The CHAIRMAN. The Senator will hold the floor.

Senator HARTKE. Let me say at this time—Senator Fulbright did ask me to extend, I think he told the chairman—that he did have some questions that he wanted to ask of this witness, and he wanted that right to be protected as far as he was concerned.

Senator LONG. The witness will still be here, and you will still be in charge, Senator, when we come back at 2:30.

Senator HARTKE. I hope that I am not going to be charged with filibustering, because I started to ask questions, I think at roughly 10 until 1, and I have had approximately 7 minutes of questioning so far.

Senator LONG. Senator, the whole point is that the chairman suggested we quit for lunch. You are still in charge when we come back.

The CHAIRMAN. The Senator will be in charge when we return.

(Whereupon, at 1 p.m., the committee recessed, to reconvene at 2:30 p.m. of the same day.)

AFTERNOON SESSION

Senator LONG (presiding). The meeting will come to order. Senator Talmadge.

Senator TALMADGE. Mr. Secretary, I will make mine brief. I believe we had produced about 60 percent of our domestic sugar needs, is that not correct?

STATEMENT OF HON. JOHN SCHNITTKER, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN BAGWELL AND TOM MURPHY—Resumed

Mr. SCHNITTKER. That is approximately correct.

Senator TALMADGE. How much could we provide if we let everyone plant all of the sugarbeets and all of the cane they saw fit to produce in our country?

Mr. SCHNITTKER. In the short run, Senator, only—probably only a little more than at present, a little higher percentage; but in the long run, I think we certainly would have the capacity in this country to produce substantially more of our sugar needs.

Senator TALMADGE. Why don't we expand our domestic quotas with the intent of becoming self-sufficient in the production of sugar?

Mr. SCHNITTKER. Well, I believe there is a lot of history behind the answer to that question. We have been a long-standing importer of sugar, we have friendly relations, and in fact many of the exporters of sugar depend on us very heavily. Trade is a two-way street, hence we have over the years and under the Sugar Act reached a certain allocation between domestic and foreign sugar in the pursuit of both domestic objectives and foreign objectives.

Senator TALMADGE. You know we have been reducing most of the acreages of many, many crops, because we have surpluses, and it seems to me that it is quite strange we would have very tight allocations of quotas of crops where we have a deficit.

Mr. SCHNITTKER. Certainly the need to reduce our sugar acreage makes it fairly difficult for domestic producers.

Senator TALMADGE. For instance, in south Georgia, I don't know whether they could produce sugarcane commercially or not, but some of them think they can. They are very, very anxious to get a quota. We have been reducing their tobacco allotment, reducing their peanut allotment, reducing their cotton allotment; if they could expand in the production of some other crop where we have a deficit, it seems to me that would be the logical and reasonable thing to do.

One further question: Most of the areas where we purchase sugar offshore, are areas that have a shortage of feed grains and wheat, commodities of that kind. Have we had any barter deals where we would exchange wheat for sugar or feed grains for sugar or any other surplus crops for sugar?

Mr. SCHNITTKER. We have not, to my knowledge, in recent years engaged in any such transactions. We have, however, in the alloca-

tion of deficits in the case where Puerto Rico, for example, cannot fill its quota, we allocate the deficit to the supplying countries, and to those supplying countries who purchase U.S. agricultural products, but specifically barter deals we have not had.

Senator TALMADGE. Wouldn't it make a lot of sense, for instance, if we approached a country like India? I am not singling out India as a particular one, but that is certainly a very valid example. They need wheat very badly, we need sugar very badly. Why don't we say to the people in India, let's work out a deal where we can sell you some of our wheat, and you sell us some of your sugar, and we will trade with you. Why can't we do that?

Mr. SCHNITTKER. I expect we could do that, but we would also find that most of the countries of the world being anxious to sell sugar into the U.S. market, would also be willing to match offers, and hence we might on a broad front be getting into barter arrangements and actually not influence the—not increase the exports of U.S. agricultural commodities nor change the origins of the sugar that we import.

Senator TALMADGE. What we are doing now, we are selling our surpluses for soft currency which is virtually a gift, if not altogether a gift, and it seems to me if we have something of value in surplus, and they need that very badly, and they have something of value in surplus that we need very badly, it would make sense for us to get together and arrange a deal with them.

Mr. SCHNITTKER. I would like to mention one additional difficulty that arises in a barter transaction of that type, and that is that the premium from sugar sold in the U.S. market can be used in a barter transaction to drive down the prices of the commodities which they import in the sugar supplying country, so that a country bartering sugar to us for wheat and having a premium on sugar in the U.S. market, could use a part of that premium to drive down the prices of food grains in the other country. This would tend to disorganize markets.

Senator TALMADGE. I have no further questions, Mr. Chairman.

Senator LONG. Senator Fulbright?

Senator FULBRIGHT. Thank you, Mr. Chairman.

With regard to that last point about our being self-sufficient, are our producers of sugar competitive with the producers in the Caribbean and other areas?

Mr. SCHNITTKER. No, the cost of production in the United States is generally higher than in other supplying countries, and this would be an additional factor which would weigh against an attempt to become fully self-sufficient because as we went into further areas our average cost of production would rise even further.

Senator FULBRIGHT. Even with the production we have now, the actual cost to the consumer is probably higher than if we bought all our sugar from those areas that are naturally well-suited for production of sugar; is that not so?

Mr. SCHNITTKER. I think that is substantially correct.

Senator FULBRIGHT. So it isn't like some of our products which are competitive with other countries. We used to have a principle of trade in which you produced that which you are best equipped to produce and then you traded for commodities similarly produced, didn't we?

Mr. SCHNITTKER. We did have and I believe that principle is still in effect.

Senator FULBRIGHT. Well not very much. It is in principle only but not in fact.

Mr. SCHNITTKER. Well, it certainly continues to be a strong reason why we should continue to import a substantial quantity of our sugar.

Senator FULBRIGHT. Mr. Schnittker, one of my principal concerns, which has already been discussed, is that we are faced each year with this bill coming in at the very last days, with great urgency to pass it without consideration. I don't know what can be done about it, but I proposed an alternative to the House bill or even your bill, which I think would give the committee an opportunity to consider foreign allocations in a more orderly and normal manner.

I am very reluctant to vote for a bill where we have so little opportunity to give it what I would call normal consideration.

I am not clear as to why this comes in so late. You were ready to recommend this bill back in March or April, weren't you?

Mr. SCHNITTKER. Yes. I think that it certainly is true that the bill could have been sent to the Congress somewhat before the time it was sent. However, it had been, it has been, before the Congress now for about 2 months.

Senator FULBRIGHT. It was introduced August 17, wasn't it?

Mr. SCHNITTKER. August 17, yes.

Senator FULBRIGHT. I received from the domestic associations, the California Beet Growers, Farmers & Manufacturers Beet Association, National Beet Growers, Red River Valley Sugar Beet Growers, United States Beet Producers Association, a letter dated March 31 in which they made their recommendations. You are familiar with those recommendations—

Mr. SCHNITTKER. Yes.

Senator FULBRIGHT (continuing). Of the industry.

And as I understand it your bill follows that fairly closely, doesn't it?

Mr. SCHNITTKER. That is correct.

Senator FULBRIGHT. That was in March. We could have had hearings under normal circumstances. We would be much more able to understand the bill. The amendment which I offered, in the nature of a substitute, would carry out those and the administration's recommendations except for the recapture fee, but would leave the allocation of foreign quotas just as it is now until next year when Congress would be asked to formulate a permanent, and I hope, more acceptable method of allocation of foreign quotas.

I wanted to ask you why you think it is necessary to have a 5-year bill this year?

Mr. SCHNITTKER. I would not say, sir, that it is necessary to have a 5-year bill. It is important to have a long-term bill, important from the domestic standpoint so that sugar producers know where they stand, and similarly important from the standpoint of foreign quotas so that foreign suppliers can make their plans with as much advance knowledge as possible of their entry prospects in the U.S. market.

Senator FULBRIGHT. But it seems to me this conflicts with one of your principles about allocations with regard to performance. If this bill is going to be for 5 years, you don't retain the discretion to change it in view of the performance?

Mr. SCHNITTKER. It does include provisions which would reduce quotas in the event countries did not fulfill those quotas without cause.

Senator FULBRIGHT. But there might be other reasons why you would want to change them. I don't see why you want to tie your hands for 5 years. Why shouldn't the proposal allow the administration to retain some discretion; aside from that particular reason, there may be political reasons or other reasons why you would want to change the quotas, and I think you ought to have that discretion.

Mr. SCHNITTKER. There are many elements of discretion in the bill. For example, in the event Cuba were to come back into the family of free nations there is authority for the Cuban quota to be taken from the countries which have it now and to go back to Cuba. There is discretion for the President to suspend the quota of any country if it is in the interests of the United States.

Senator FULBRIGHT. As a practical matter, if these countries are given allocations under this bill for 5 years, do you think you would ever return the Cuban quota at anything like the amount reserved? Isn't that purely theoretical?

Mr. SCHNITTKER. I would say "No" to your question. I think as a practical——

Senator DOUGLAS. What is the answer?

Mr. SCHNITTKER. As a practical matter the continued reservation of the Cuban quota is important to our foreign relations and adds something to the prospects for Cuba to come back into the realm of free nations.

Senator FULBRIGHT. I think it would add very little because what you would be faced with is taking it away from some of these other developing countries to whom we have deep obligations. We will have assumed deep obligations, and you will be faced with the dilemma of taking it away from Brazil or taking it away from Mexico or taking it away from Argentina in favor of Cuba. As a practical matter you are not likely to do that because they already had their organization and their lobbyists and Cuba doesn't.

I don't see how you think there is any practical probability of taking the quota away from those that have it.

Mr. SCHNITTKER. I would assume that the President, in the conduct of the foreign policy, would weigh the merits of doing it and would be able to act if the occasion required it.

Senator FULBRIGHT. Well, if the President has that authority; but suppose these allocations are continued by the House of Representatives, the Congress rather than the Executive?

Mr. SCHNITTKER. Well, under both the House bill and the administration bill, the President would have that authority to return the Cuban quota all or in part to Cuba whenever it was in the interest of the United States.

Senator FULBRIGHT. Let me ask you why should we not confine these bonus payments, at least to the Western Hemisphere countries, that is the poor countries which are receiving aid.

What excuse is there for giving a bonus to the non-Western Hemisphere countries, particularly South Africa and Australia? What occasion is there for giving them the bonus?

Mr. SCHNITTKER. It certainly has not as strong justification as in the case of the developing countries. But following out our practice

of nondiscrimination in trade among free nations we would extend that bonus, as the Senator calls it, to the other supplying countries as well.

Senator LONG. May I interrupt at this point? The State Department will testify on this. But didn't you call those people and tell them, when you couldn't buy sugar anywhere else, that if they would deliver sugar you would keep that in mind and you would try to make it up to them later when you couldn't get sugar anywhere else?

Mr. SCHNITTKE. We did in 1963——

Senator LONG. You didn't answer that before, and I think you should have said it.

Mr. SCHNITTKE (continuing). And 1964. We did tell these countries that the administration, the executive branch, in making recommendations to Congress, would take their response into account.

Senator WILLIAMS. How much did Ireland let you have in 1964?

Mr. SCHNITTKE. Excuse me?

Senator WILLIAMS. How much did we get from Ireland in 1964?

Mr. SCHNITTKE. No sugar imports from Ireland in 1964.

Senator WILLIAMS. You took that into consideration, too, did you?

Mr. SCHNITTKE. In 1963 we had 10,000 tons approximately from Ireland, and so that combination came out to, I think, a little over 2,000 in the administration recommendations.

Senator LONG. Would you mind acquiring and presenting for the record today, before sundown or at least before midnight, the communications you sent those people when you were asking them to sell you sugar at a time when everybody else wanted sugar and you couldn't buy it somewhere else?

Mr. SCHNITTKE. Yes, we can insert that in the record immediately, and I would just add here our importing countries were advised through our embassies that and I quote:

Total 1964 deliveries, particularly those shipped or committed early by individual countries, will have strong bearing on the administration's recommendation to the Congress regarding allocation of country quotas after 1964.

And the 1965 quotas which were established by administrative action do take into account very strongly the 1964 and 1963 performance.

Senator FULBRIGHT. Mr. Schnittke, you also were proposing a recapture fee on foreign imports and you withdrew from that position. You were proposing a recapture fee which would apply across the board. Now, why at the very minimum can't we impose a recapture fee at least on all those countries not in the Western Hemisphere? It seems to me that would be a minimum. It would amount to some \$35 million, I think.

Do you have any objection to imposing the recapture fee on all non-Western Hemisphere countries?

Mr. SCHNITTKE. Well, certainly, the State Department could better respond to this than I could, but I would say that we do have objection again on the principle that it would discriminate against certain foreign suppliers on the basis of not being in the Western Hemisphere or not being developing countries.

Senator FULBRIGHT. We discriminate in our foreign aid between countries. We don't give everybody the same amount of foreign aid either on a per capita basis or any other. We make distinctions. I don't follow the reasoning as to why it is discriminatory to not give

a country like Australia, which is as well or better off than we are, relative to her size, or South Africa a premium for their sugar. I have nothing against these countries as such. I just see no reason for us to give them a bonus.

Mr. SCHNITTKER. We do have a general policy, though, of nondiscrimination. We afford, if we accord a certain tariff treatment to one country, we accord it to most other countries, and similarly, we accord to certain countries a preferred market in sugar. We have chosen to accord that same market to all countries who can supply sugar.

Senator DOUGLAS. Will the Senator yield?

Senator FULBRIGHT. I yield.

Senator DOUGLAS. Will you do that in the case of automobile parts, equal treatment to all countries?

Senator LONG. Well, now you are from the Department of Agriculture and not an expert on that. Do you want to testify on that?

Mr. SCHNITTKER. I would prefer a response from somebody else.

Senator DOUGLAS. I just want to interject we don't do that.

Senator FULBRIGHT. There are some areas of most-favored nations treatment that we don't extend to all countries. We take into consideration various elements. It doesn't apply exactly equally to all countries. I don't see any justification for giving a handout to these countries that you mention.

I am still a little bit puzzled about your change of mind about the recapture clause.

Can you explain that any more fully?

Mr. SCHNITTKER. Well, only that the indication last December that we expected to recommend to the Congress Sugar Act amendments including an import fee was an indication, not a decision.

Similarly, I believe when industry representatives sent their recommendations to Members of Congress, they indicated their support of an import fee with expectation that the administration was also going to recommend such a fee.

However, the decision was made by midsummer not to recommend a fee.

Senator FULBRIGHT. By whom was the decision made?

Mr. SCHNITTKER. Well, I think, I would simply say, the decision was made by the President. Since the President makes final decisions on all of these matters affecting administration policy.

Senator FULBRIGHT. Did the Department of Agriculture recommend such a decision? The President usually makes decisions of this nature on the recommendation of the Department concerned, doesn't he?

Mr. SCHNITTKER. Senator, on matters which are essentially foreign relations in character, we do have views and we press those views with most anyone who will listen, but we also defer to the Department of State—

Senator FULBRIGHT. Well, can you answer the question, did the Department of Agriculture recommend an import fee to the President? You ought to be able to answer that one way or the other.

Mr. SCHNITTKER. I would have to look at the record, because this discussion of the sugar bill went on long before I became involved in it. In general, our view—

Senator FULBRIGHT. Well, does your colleague Mr. Murphy know. Does anybody representing Agriculture know?

Mr. SCHNITTKER. Tom, can you say whether we ever formally recommended a fee? In general our position would tend to be neutral on this question.

Mr. MURPHY. I think that expresses it very well.

[Laughter.]

Senator FULBRIGHT. I don't know what caused you to change from being positive on October 19, 1964, which is Secretary of Agriculture Freeman's statement in which he said:

No import fee is provided for solely in view of legal limitations. The administration intends to recommend to the Congress reinstitution of a system of import fees in connection with long-term legislation.

Now, what happened, Mr. Murphy, that caused you to become neutral after having been positive?

Mr. MURPHY. Senator, the world price for sugar in the fall of last year was something over 3, perhaps, $3\frac{1}{4}$ cents. As this year progressed it fell lower and lower. It got down eventually to $1\frac{3}{4}$ or $1\frac{2}{3}$ cents. The countries, particularly those in Latin America, were in a very difficult situation, not only because sugar prices had gone to rock bottom but also because prices for cocoa and other tropical products likewise had been adversely affected.

There was concern, I believe, for the plight of these countries.

Senator FULBRIGHT. So in effect you think it was just to aid these countries in Latin America that changed this view?

Mr. SCHNITTKER. The basic reason for the final decision was concern with the need of these countries to earn the maximum of foreign exchange.

Senator FULBRIGHT. Mr. Chairman, I think, if it is not already in the record, this statement of the Secretary of Agriculture be put in.

Senator LONG. I instruct the reporter to put it in the record.

Senator FULBRIGHT. That was their position on October 19, 1964. (The statement referred to follows:)

U.S. DEPARTMENT OF AGRICULTURE,
Washington, October 19, 1964.

SECRETARY FREEMAN PROPOSES 1965 SUGAR ACTIONS

Secretary of Agriculture Orville L. Freeman announced today actions he proposes to take with respect to the administration of the sugar program in 1965.

The actions would result in (1) determining sugar requirements and establishing quotas for the calendar year 1965 totaling 9,200,000 short tons, raw value; (2) prorating the quota for foreign countries, other than the Republic of the Philippines, to countries which imported sugar into the United States during the calendar years 1963 and 1964; (3) in view of legal limitations, applying no fee to imports.

At the present time the domestic price for raw sugar is almost one-half cent per pound below the price reference point in section 201 of the Sugar Act. Actual consumption of sugar in 1965 is expected to be of the order of 9.8 or 9.9 million tons. Quotas would be set at the conservative level of 9.2 million tons to encourage the maintenance of sugar prices in line with the objectives of the act.

The quotas established for the five domestic areas and for the Republic of the Philippines would be pursuant to the relevant provisions of the Sugar Act. The section of the act which directed the manner of prorating the remainder of requirements to foreign countries will have expired at the end of 1964. Accordingly, under general authority included in the Sugar Act, the quota for such countries would be prorated on the basis of a formula which gives single weighting to 1963 imports into the United States and double weighting to 1964 imports. Basing the proration on recent imports recognizes the performance of countries which committed supplies to this market when sugar was scarce throughout the world.

More than half of the 1965 quota for foreign countries other than the Philippines, stems from the portion of the market reserved for Cuba when friendly relations are resumed with that country. The full quantity of 1965 prorations to individual countries, therefore, should not be regarded as a precedent for quotas in later years.

No import fee is provided for solely in view of legal limitations. The administration intends to recommend to the Congress reinstitution of a system of import fees in connection with long-term legislation.

Quotas and prorations for 1965 would be as follows :

[Short tons, raw value]

Area or country	Quotas and prorations	Direct consumption limit
Domestic beet sugar.....	2,650,000	No limit
Mainland cane sugar.....	895,000	No limit
Hawaii.....	1,110,000	31,464
Puerto Rico.....	1,140,000	138,000
Virgin Islands.....	15,232	0
Total domestic areas.....	5,810,232	169,464
Republic of the Philippines.....	1,050,000	59,920
Quantity held in reserve for proration to countries listed below when final quota charges for 1964 become available.....	233,977	0
Argentina.....	59,383	
Australia.....	172,317	
Belgium.....	1,748	182
Brazil.....	204,535	
British Honduras.....	3,853	
British West Indies.....	112,954	
China, Republic of.....	63,174	
Colombia.....	27,101	
Costa Rica.....	32,219	
Dominican Republic.....	358,405	
Ecuador.....	45,759	
El Salvador.....	15,857	
Fiji Islands.....	42,053	
France.....	5,328	
French West Indies.....	39,799	
Guatemala.....	36,914	
Haiti.....	20,216	
India.....	89,433	
Ireland.....	8,002	8,002
Madagascar.....	6,739	
Mauritius.....	13,898	
Mexico.....	359,459	
Nicaragua.....	37,483	
Panama.....	13,330	3,817
Peru.....	223,214	
Reunion.....	2,043	
South Africa.....	98,277	
Southern Rhodesia.....	8,423	
Turkey.....	1,411	
Venezuela.....	2,464	
Grand total.....	9,200,000	241,385

Senator WILLIAMS. Would you yield for just a moment?

Senator FULBRIGHT. Yes.

Senator WILLIAMS. I understand you changed your position after the world price of sugar dropped from $21\frac{1}{2}$ to $13\frac{3}{4}$.

Now, in the event that during this 5-year period the world price moves up two and a half or three cents would you recommend the imposition, going back to your original position?

Mr. MURPHY. No, sir. We would hope that the act would be extended for a period of 5 years.

Senator WILLIAMS. But suppose that during this period it goes higher; would you want a trigger in here where you can take it back?

Mr. SCHNITTKER. I think the answer to that is "No," sir.

Senator DOUGLAS. What was the answer?

Mr. SCHNITTKER. The answer is "No."

Senator LONG. Let me ask you this. If the world market price drops is that going to cut the cost of living for these poor devils working in those canefields in these Latin American countries?

Mr. SCHNITTKER. If the world price drops is it going to cut the cost of living?

Senator LONG. Yes, is it going to cut the cost of food for those people, the price——

Mr. SCHNITTKER. I think very, very little.

Senator LONG. Most of them live on rice and a little bit of beef if they can get some. Is that going to cut the cost of living to them if the world market price drops on this sugar?

Mr. SCHNITTKER. The price of sugar is substantially independent from the world price of rice or wheat, hence the price of sugar would have little effect upon their cost of living.

Senator FULBRIGHT. If this is influenced by the price, why wouldn't it be logical in view of your former recommendation and the recent increase in prices to ask, say, for one-half recapture or a quarter, if it was the question of price that influenced you?

Mr. SCHNITTKER. I would say that it was partially a question of price but it was also substantially a question of providing an arrangement which would return the maximum foreign exchange to the sugar exporting countries, whatever the price.

Senator FULBRIGHT. And yet we are very concerned about balance of payments. So you're working directly contrary to the policy of the Treasury, aren't you?

You are doing your best to return a maximum to the foreign countries, where the Treasury is doing its best to diminish the outflow of gold, isn't it?

Mr. SCHNITTKER. Well, these things are never black and white, Senator.

Senator FULBRIGHT. Never black and white?

Mr. SCHNITTKER. The Treasury Department was aware of the decision of—on the sugar fee.

Senator FULBRIGHT. Mr. Schnittker, do you think the administration bill will encourage increased production of sugar abroad?

Mr. SCHNITTKER. No. I think in view of the general conclusion that cost of production in the main areas while slightly below the U.S. price is still well above the present world price, that this ought not encourage any great expansion in world sugar production.

Senator FULBRIGHT. What is the situation now with regard to production of world sugar? Is it in surplus or is it in short supply?

Mr. SCHNITTKER. There was a large surplus in 1961 and 1962 which was used up in 1963 and 1964. The crop last year was a record crop, so there is again a small surplus. But nothing which is overriding at this time.

Senator FULBRIGHT. According to your circular, the 1964 and 1965 is estimated at 65.7 million short tons. This is an alltime record level surpassing the previous one of 1960-61 by 5.6 million tons, is that correct?

Mr. SCHNITTKER. That was production?

Senator FULBRIGHT. Yes.

Mr. SCHNITTKER. Yes, that is correct. The crop is known to be even larger now.

Senator FULBRIGHT. So it is at an alltime high, is that correct?

Mr. SCHNITTKER. Production was at an alltime high but stocks are not at an alltime high. But they are growing.

Senator FULBRIGHT. What was the situation that caused the high prices in 1964? Was this the global quota as has been alleged by some Members of Congress?

Mr. MURPHY. Senator, the real reason as I think most people would agree, is that production in Cuba had deteriorated very badly.

Senator FULBRIGHT. To about one-half of normal, wasn't it?

Mr. MURPHY. To about one-half normal.

Senator FULBRIGHT. And it had 3 bad years, had it not?

Mr. MURPHY. Yes. Each worse than the previous.

Senator FULBRIGHT. Hadn't Western Europe had 2 bad years for sugar production; 1961, 1962?

Mr. MURPHY. That is correct.

Senator FULBRIGHT. It was not the global quota. It was simply normal short supply due to failure of the crop, wasn't it?

Mr. MURPHY. I think most people would agree on that.

Senator FULBRIGHT. You think that?

Mr. MURPHY. Yes, sir.

Senator FULBRIGHT. And the industry thinks that?

That is something that the legislation couldn't influence at all. It was the weather, wasn't it, and management?

Mr. SCHNITTKER. And management.

Senator FULBRIGHT. Mr. Schnittker, in the allocation of quotas lobbyists for the foreign countries contact you and do they help you in arriving at your decision?

Mr. SCHNITTKER. They do not.

Senator FULBRIGHT. You never have contact with them?

Mr. SCHNITTKER. I have never had contact with foreign lobbyists for the purpose of discussing sugar or sugar quota allocations. I am confident that I have met people who may be or may have been lobbyists for foreign governments for sugar or other reasons but not for the purpose of discussing sugar allocations.

Senator FULBRIGHT. Isn't—it isn't customary for you to have them present in your executive meetings to discuss the final form of these bills?

Mr. SCHNITTKER. Not only is it not customary, we positively reject the idea.

Senator FULBRIGHT. Is that the general rule in your Department?

Mr. SCHNITTKER. It is.

Senator FULBRIGHT. Whether it is you or someone else?

Mr. SCHNITTKER. That is the general rule and I believe has been the general rule.

Senator FULBRIGHT. Mr. Schnittker, have you seen the proposal that I have offered to this bill?

Mr. SCHNITTKER. Yes, I have.

Senator FULBRIGHT. What is your comment with regard to it?

Mr. SCHNITTKER. Well, certainly, insofar as it relates to domestic sugar quotas for the remainder of this year it could ease a difficult domestic situation. From the standpoint—

Senator FULBRIGHT. That is exactly what the administration bill would do, wouldn't it?

Mr. SCHNITTKER. It would.

Senator FULBRIGHT. Why are you so careful—it would ease it, it would answer it beautifully, would it not?

Mr. SCHNITTKER. All right. It would solve the domestic problem.

Senator FULBRIGHT. Well, that is nice of you. [Laughter.] What is wrong with it, then?

Mr. SCHNITTKER. From the standpoint of foreign quotas, it would cause the administration and the Congress to be faced next April 30 with exactly the kind of problem it faces today.

Senator FULBRIGHT. But you would have the same quotas, the same power to give quotas that you did this year, wouldn't you?

Mr. SCHNITTKER. For 1966 we would have the authority to apportion quotas just as we did for 1965.

Senator FULBRIGHT. Just as this year. You would have complete discretion, wouldn't you?

Mr. SCHNITTKER. Yes.

Senator FULBRIGHT. Why do you object to that?

Mr. SCHNITTKER. Well, I object to that because we need to get a system, a formula for allocating foreign quotas established for the longrun future, not just for 1966. The administration bill does set down an allocation and it sets down a formula since it has provisions in it for suspending quotas, increasing quotas, allocating deficits, and so forth.

Senator FULBRIGHT. When I started out I said the trouble that bothers me is that you send this bill up here and we have had just 1 day, it is the plan of the chairman as I understand it to have 1 day of hearing on this bill. There is a great deal of money involved in this program. The effect of my amendment would be to defer the decision on the permanent method of allocation until April, and presumably at that time we would have an opportunity for normal hearings in this committee to see whether or not we approve of the formula that you submitted.

Personally, I don't approve of this one. I can't approve of your theory of handing out bonuses to certain countries we have already mentioned. There are some others there that I have grave questions about. I don't accept your idea that we can't discriminate among countries just as I don't accept the principle that in the administration of our regular aid program that we don't make distinctions between countries.

There is no principle under the aid program that we have to treat every country alike, and in fact I object very strenuously to the way they do treat certain countries. There is much disagreement about it. Of course, there has been no vote on this committee but there have been several members evidence some dissatisfaction in the formula you have presented.

You have complete discretion to set the quotas next year just as you have this year, on the same principle if you like. But we would have an opportunity next spring to look at it carefully, not being under the gun of being told we have got to act immediately in order to save the sugar industry. We would have an opportunity to look at it carefully.

Frankly, I don't understand a lot about this bill. I used to study it much more carefully than I do now but having objected to them in the past and having been defeated every time I more or less gave up. But this year I sensed because of things that happened in the House and elsewhere that there was renewed interest in this bill. Therefore, I thought it was worthwhile, at least, to offer a substitute proposal. That is the reason I did it. I don't know whether there is any hope in getting it passed or not, but it looked as if there might be a chance to do it.

If you have no real serious objection to it, it seems to me it would be the wise thing to do. Can you say whether you seriously object to that solution or not?

Mr. SCHNITTKER. Well, your solution, Senator Fulbright, has several parts.

One is the question of postponing the decision until next year, and we believe that the Congress could reach agreement on the apportionment of foreign quotas yet during this session of Congress, and we hope that that can be concluded.

Secondly, as I recall your bill, it would not establish foreign quotas for a fixed period with discretion then to alter them based upon certain conditions, but rather would leave in the executive branch the authority to allocate those quotas each year.

Senator FULBRIGHT. Well, the executive branch could also adopt, if it saw fit, a formula which they would announce they were going to follow. You have discretion to develop a formula for the allocation of foreign quotas. You could say, as you can now, "Well, this is what we propose to follow."

You have often changed your mind just as you changed it, for reasons not clear to me, about the recapture clause. Even this bill could be changed I suppose, but it is not likely to be once it is enacted for 5 years.

This problem really didn't come up because of any delinquency on the part of Congress but because you didn't bring this bill up until August and it only came over here this morning. I think it is very unfair to expect us to exercise any kind of intelligent judgment with a hearing that lasts 1 day. I think we ought to have more opportunity to study it, to have our staffs study it, and if I have to vote on it the way it is I am going to vote against it, not that that means very much to you, but that is the reason why. If we can have the foreign portion deferred, I would vote for it—if we could have an opportunity for it to be considered further in the spring.

I believe that is all, Mr. Chairman.

Senator LONG. Thank you very much.

Senator CARLSON?

Senator CARLSON. Mr. Chairman, I have to leave for another committee that is working on a very important piece of legislation and that is the Federal pay increase. I have had to miss most of the session this morning and I am going to have to leave within the next 15 minutes for another session of that committee. Just this one thought: I am concerned, as Mr. Schnittker knows, being a Kansan about the sugarbeet acreage, and quota allocations—there are 500,000 tons or a half million tons that we need to enact legislation in order to—so he can move this domestic sugar. I, as a member of this committee am

not happy about this situation that this bill always comes in at the end of the session. We have 1 or 2 days to consider this bill.

Can we not write some legislation that will protect our domestic producers and then give us some time next year to work out this other phase of it ?

Mr. SCHNITTKER. Senator, I responded to one of the members this morning indicating that in the event the Senate cannot agree to a bill or the two Houses cannot agree to a long-term solution including foreign quotas we are certainly prepared to discuss that kind of a solution.

Senator CARLSON. Personally I am not happy about the way the bill is here. This is not the first year, it has been this way for many years, where we have to pass the sugar bill within 2 or 3 days. I do know we have a domestic sugar problem at the present time, because we have got some sugar in this country we can't move unless we get some allocations.

So, I am seriously considering following along the suggestions of the Senator from Arkansas, providing we can work out something whereby we take care of the domestic sugar situation and give us a little more time on some of these allocations or give us at least time in this committee to have some reasonable hearings and reasonable executive sessions. It concerns me very seriously, and as Mr. Schnittker well knows our State does have an interest in this sugar bill.

I would ask one or two questions in regard to the possibility of using some of our sugar quotas for trading agricultural products. I noticed that we have had some direct offers for instance from Brazil, they are going to need upward of a million tons of wheat annually, and they got additional purchases now that are going to have to be made from Argentina and Uruguay.

Isn't there some way that we can work out a barter agreement on the disposition of some of this sugar ?

Mr. SCHNITTKER. Well, certainly, arrangements like that could be worked out, but they tend to disorganize the markets for commodities in the countries such as Brazil, which would send us sugar, and get wheat, and the quota premium on sugar could be used to depress and disorganize the wheat market in Brazil.

Secondly, it is very difficult, both in Public Law 480 and in commercial trade, to show that such a transaction is additional trade.

Senator CARLSON. Did I understand you to say that it could be used to depress the market for wheat in Brazil ?

Mr. SCHNITTKER. Yes. Having collected the premium on sugar in the U.S. market, that premium could be used in effect to dispose of the wheat in Brazil at less than a fair sale price, thus disorganizing the market for wheat or food grains or any other product in that country.

Senator CARLSON. Is it not a fact that the Brazilian Government, through its Embassy in Washington, presented officially a proposal to use the dollar receipts from 100,000 tons of sugar to be applied against the Puerto Rican deficit nor the immediate purchase of U.S. wheat during the following 3 months ?

Mr. SCHNITTKER. I am not aware of the details on this, and certainly it is possible that some governments could prevent this market disorganization.

Senator CARLSON. I have been advised that they have made that offer.

Now, I may be in error.

Mr. SCHNITTKER. I understand there is some kind of a general offer, but I don't know of the details of it.

Senator CARLSON. As one member of this committee interested in trade, and realizing the value of our international situation as far as trade is concerned, I sometimes personally feel that we fail to take advantage of some of these opportunities to assist our own country, and I hate to say this, but I am going to go slow this year on establishing these sugar quotas. At least I hope we are going to have hearings more than today.

That is all, Mr. Chairman.

Senator WILLIAMS. Mr. Chairman, I don't want to renew this. But one question: Assuming we follow the line suggested by the Senator from Arkansas which I, too, am in favor of doing, as I mentioned earlier, because I think we should have more time, particularly on the foreign quotas. As I understand it, there is a decision to be made between now and the end of the year on about 500,000 tons, whether we use it out of our sugar which is stored in our warehouses domestically or whether we buy it offshore. Is that correct?

Mr. SCHNITTKER. That is correct.

Senator WILLIAMS. I am in favor of using it out of our warehouses, but I want to point out that it will also mean a difference of about \$60 million in our balance of payments; will it not?

Mr. SCHNITTKER. If we are able to use it out of our warehouses.

Senator WILLIAMS. We have the sugar here in our warehouses in surplus, and it would seem to me that it would be just a matter of good commonsense to use something that we have here rather than paying storage on it and rather than going offshore and putting up \$60 million hard money when we don't have it.

Mr. SCHNITTKER. It seems to us absolutely essential to have this authority so that we can permit the marketing of this additional domestic sugar this year.

Senator WILLIAMS. I think on that point we could reach an agreement very quickly. If you will just go along with us now that the rest of it is not so all-fired important that it cannot go over to next year I think we could close this out very rapidly and next year come in in a more orderly manner, sit down, and discuss a revision of this foreign quotas. I think, like the rest, that we need some kind of a recapture provision or else a complete overhaul of the present system.

Mr. SCHNITTKER. With your permission, I would defer that discussion to Mr. Mann.

Senator LONG. Senator Hartke?

Senator HARTKE. You said you had discussions with the State Department concerning matters of foreign policy in regard to the Sugar Act, is that true?

Mr. SCHNITTKER. Yes, that is true.

Senator HARTKE. In other words, there are foreign policy considerations which are involved in the ultimate determination as to the administration in the formulation of agricultural policy, Agriculture Department policy?

Mr. SCHNITTKER. Yes, both under past sugar acts and under the proposed Sugar Act and for other farm commodities as well.

Senator HARTKE. Do you discuss it with the administrators and the officials in AID?

Mr. SCHNITTKER. I think our contacts with AID on sugar are generally through the Department of State.

Senator HARTKE. Well, you have none, is that right?

Mr. SCHNITTKER. I don't know of any direct contact with the Agency for International Development on sugar questions by the Department of Agriculture.

Senator HARTKE. Have they requested that they be permitted to discuss this matter with the Agriculture Department?

Mr. SCHNITTKER. Not to my knowledge.

Senator HARTKE. Would you refuse to discuss it with them or have you refused to discuss it with them?

Mr. SCHNITTKER. I don't believe we would, and I am quite sure we have not.

Senator HARTKE. If they would say that you refused to discuss it with them, would you say that they are in error or that they are telling—they are properly representing the truth in this regard?

Mr. SCHNITTKER. I would be very surprised if we have formally refused to discuss sugar questions with AID.

Senator HARTKE. Formally.

Would you say you have informally done so?

Mr. SCHNITTKER. I would be equally surprised if we have refused to have informal discussions on sugar with AID.

Senator HARTKE. All right.

You believe in what is called the single criterion, is that true? You are approaching this with a single criterion?

Mr. SCHNITTKER. Yes.

Senator HARTKE. All right.

In that do you take into—have any stand whatsoever with regard to our foreign policy considerations with reference to the Alliance for Progress countries?

Mr. SCHNITTKER. It happens that the countries which get major benefits from the foreign quota apportionment which we have proposed are also Alliance for Progress countries. As I described earlier, the decision not to recommend any import fee is related directly to the needs of Alliance for Progress countries.

Senator HARTKE. But basically your approach on the quotas and your formulation of quotas and recommendations, is made without regard to our Alliance for Progress program, isn't that true?

Mr. SCHNITTKER. The Alliance for Progress considerations were secondary. Luckily they fall very nicely into the pattern.

Senator HARTKE. But only luckily. In other words, what I am trying to say, is do we have a policy of this Government that all the departments of Government are going to go down the same path or do we just buy happenstance and luckily, agree that the Alliance for Progress shall be a consideration in an element such as in the sugar program or don't we have any overall policy?

Mr. SCHNITTKER. I think we have an overall policy, and the administration recommendations on the import fee and the administration recommendation on the quota allocation treat the Alliance for Progress countries very favorably.

Senator HARTKE. I don't think about treating them. As I understood you, you have the single criterion, let's state what that is, first.

Mr. SCHNITTKER. To give——

Senator HARTKE. On the allocations.

Mr. SCHNITTKER. To give weight, to the 1963 and 1964 sugar shipments to this market in determining future quota allocations.

Senator HARTKE. In other words, regardless of whether or not these countries are potentially in danger of Communist infiltration, Communist takeover, whether or not they are especially friendly to us or whether they are adverse to us, the sole consideration and the primary consideration is not the question of our relations with these countries but whether or not in 1963 and 1964 they shipped sugar to the United States.

Mr. SCHNITTKER. The primary consideration, not the sole consideration.

Senator HARTKE. But that is the primary consideration.

As I understand, Senator Fulbright asked some questions about the imposition of the fee, and the question of the most-favored-nation clause was raised as one objection. This would not be an objection in relation to the portion which would previously—had been set aside for Cuba and which is now reallocated, would it?

In other words, could you have the fee established on that basis, the amount which previously had been allocated and allotted to Cuba?

Mr. SCHNITTKER. Yes, I think that one could do that, but I believe we would tend to treat all the countries alike who share in that kind of special quota. And the discussion with Senator Fulbright——

Senator HARTKE. Why couldn't you do it if they are receiving special benefit from that portion, at least impose the fee on that portion of it, if you don't want to impose it on all of it?

Mr. SCHNITTKER. Well, if one were going to impose a fee, I think this would be a—this may be a plausible way of doing it. But——

Senator HARTKE. Halfhearted endorsement.

Mr. SCHNITTKER. But the decision was against any fee. Hence we don't need in our recommendations a system for imposing it.

Senator HARTKE. Just one clarification: you say you have not refused—let me change that.

Have you requested consultation with the AID people concerning this situation in regard to the Alliance for Progress or any of the other AID activities in relation to the sugar program?

Mr. SCHNITTKER. I think so far as the Department of Agriculture is concerned, no. But since AID is an integral part of the State Department, I would trust that the representative of the State Department may have a further answer on this.

Senator HARTKE. That is all the questions, Mr. Chairman.

Senator DOUGLAS. Mr. Chairman, I should like to have the privilege of asking a further question.

Senator LONG. Senator Douglas.

Senator DOUGLAS. What is the attitude of the sugar importers to this bill, and by sugar importers, I refer to the New York agents who purchase and resell.

Mr. SCHNITTKER. Mr. Murphy advised me that he would judge that the importers do not have a strong view one way or the other. But that they would generally favor it.

Senator DOUGLAS. Have they made those desires known?

Mr. SCHNITTKER. Not to the Department of Agriculture so far as I know.

Senator DOUGLAS. Are they in favor of the import fee or opposed to the import fee?

Mr. SCHNITTKER. I think they would be indifferent to it.

Senator DOUGLAS. Indifferent.

Are you aware of the way in which the importers are compensated for their dealings in sugar. Is it true that importers receive a fee not merely on so much per ton but on the difference between the world price and the domestic price and that therefore it is to their advantage to have this difference as great as possible. Or are they paid as a percentage of gross receipts and thus also have an incentive for a high price?

Mr. SCHNITTKER. I would suppose they would have operated on a flat fee, not a percentage of the difference.

Senator DOUGLAS. A tonnage fee?

Mr. SCHNITTKER. A flat fee per ton.

Senator DOUGLAS. Yes.

Mr. SCHNITTKER. So they might be interested in the total tonnage but they would not have an interest——

Senator DOUGLAS. They would not have an interest in widening or having as wide a gap between the world price and domestic price.

Mr. SCHNITTKER. I don't believe that they would.

Senator DOUGLAS. Or between amounts.

Mr. Murphy, can you reply to that?

Mr. MURPHY. Well, I would say that to a large degree they are merchants, they buy and sell and they hedge, and in their capacity as merchants, I don't believe they would have any care one way or the other.

Now, it may be that some of them have some producing interests somewhere.

Senator DOUGLAS. Pardon?

Mr. MURPHY. Some of them may have a producing interest.

Senator DOUGLAS. A producing interest?

Mr. MURPHY. In addition to their merchandising function. They may have a producing interest. Of course if they have a producing interest this would change the situation. Generally they are merchants.

Senator DOUGLAS. You have been an expert in the sugar field for some time, have you not?

Mr. MURPHY. Well I have been in the sugar field for some time.

Senator DOUGLAS. Yes. You say they may have a producing interest. Do you know whether any of them actually have a producing interest?

Mr. MURPHY. I am aware that there are some in the United States. Now there may be some in the rest of the world but I am not sure.

Senator DOUGLAS. That is, some New York merchants also are producing sugar outside the United States?

Mr. MURPHY. That may be so. Some are producing——

Senator DOUGLAS. Now look, Mr. Murphy, you are one of the greatest experts of the world on this subject and you were preceded in the Department of Agriculture by probably the greatest expert in the

world, unfortunately one we have lost, are you going to make your reply conjectural or is it going to be definite?

Mr. MURPHY. Mine will have to be conjectural because I really don't know what their interests are outside of the United States. I know there are some alliances but I don't know what they are.

Senator DOUGLAS. Have you ever heard that their fees are in part commissioned on the differential which the sellers of sugar obtain?

Mr. MURPHY. In the United States? I have never heard that the fee was conditional on the differential between the U.S. market and the world market.

Senator DOUGLAS. You have never heard of that?

Mr. MURPHY. I have never heard of that.

Senator DOUGLAS. You think it is purely on a tonnage basis?

Mr. MURPHY. No; it could be, but I just have never heard of it.

Senator DOUGLAS. Would you make some inquiries on this subject. I will make some inquiries.

Mr. MURPHY. I will be glad to.

Senator DOUGLAS. And we will compare our inquiries for the record.

Mr. MURPHY. Yes.

Senator LONG. I would just like to get one thing straight because I am not sure I understand it. If I understand this correctly, the reason that we have a differential above a so-called world market price, is that the whole thing started out when Cuba was almost our sole supplier of sugar, and the world market price does not even cover the cost of producing the sugar; is that correct. It doesn't even cover the cost of producing it?

Mr. SCHNITTKER. At the present time that is certainly correct.

Senator LONG. And that is how it has been for years. As I understand it, this differential started back at the time when we had liberated Cuba. Cuba was our sole supplier, and those were American-owned companies producing sugar in Cuba. We arrived at the conclusion that if we made those people sell sugar to us at the world market price all we were doing was just starving a bunch of poor, ignorant scarecrows to death so we decided we would buy it at a premium price so that they could exist; is that correct?

Mr. MURPHY. That certainly is one of the purposes. I think if you will permit me.

Senator LONG. Yes.

Mr. MURPHY. The retail price in the United States is about the same as it is in most of the countries of the world, which suggests that our cost of sugar——

Senator LONG. Our price is about the same as all the other countries in the world?

Mr. MURPHY. Yes.

Secondly, it is a fact that the U.K. pays a premium price on most of its imports, France does the same, U.S.S.R. pays 6 cents but it is barter, I don't know how much premium that involves. So that most of the sugar in international trade moves at a price substantially above the world market price, meaning that many exporting countries, most countries, have a blended price.

Senator LONG. Now we talk about the world market price. As I understand this, and I don't understand it too well, but I had to

learn something about it down through the years, 90 percent of all the world sugar is produced under arrangements either by the Government that produces it or by somebody who buys it from them, where it is all contracted for, and this so-called world market is the other 10 percent, and that is sugar that has no home, no place to go. It is an orphan child. Now in scarce years you might pay 50 cents for it. In plentiful years it is dumped sugar, and we carry it in inventory. We used to count on Cuba to carry a big inventory to take care of us in the event something went wrong with our crop.

But the weather in Florida is substantially the same as the weather in Cuba, and basically the cost is pretty much parallel. Now, if you are going to produce sugar and sell it at the price that some folks would like to say is the so-called world price all you are doing is squeezing the lifeblood out of the those workers in the field, isn't that about the size of it?

Mr. MURPHY. I would agree. If the world market price is the basis that you are going to pay it is below cost three-fourths or four-fifths of the time.

Senator LONG. At the time you talk about buying sugar in the world market price all you are talking about is about taking a bunch of poor, ignorant scarecrows and if they have 6 ounces of fat on them, taking off that last 6 ounces of fat, isn't that about what we are talking about to make them produce for the world market. That is about what we are talking about; isn't that right?

Mr. MURPHY. It is awfully close.

Senator LONG. You can't produce it at that price. Where are you going to cut your costs? Take it out of the hides of those people, the poor old fellow out there with a machete, take it out of him? Where else are they going to cut their costs.

Mr. MURPHY. I agree with you.

Senator LONG. You can't produce at that price. You can't produce it for the world market price. You have got to cut your costs, where are you going to cut it?

Mr. MURPHY. Wages.

Senator LONG. That is the only place you can cut. So you squeeze it out of the hides of people. As I understand it, the reason we started paying a premium to begin with was that we felt some responsibility toward Cuba since we captured that island, and we said "Well, now, these folks can't produce sugar at that price. Look at those poor pitiful starving scarecrows," and so we say, well, we will pay them a little more than that. Isn't that where the premium got started to begin with? We assumed the people couldn't produce it that cheaply unless they just starved the poor workers to death.

Mr. MURPHY. That is right.

Senator LONG. That is the whole history of it.

Senator FULBRIGHT. Mr. Chairman——

Senator LONG. If I may say one thing before I turn it over to the chairman of the Foreign Relations Committee.

Senator FULBRIGHT. I want to find out how many tons move at the world price.

Mr. SCHNITTKER. Ten percent.

Senator FULBRIGHT. How many tons?

Mr. SCHNITTKER. Six million tons.

Senator FULBRIGHT. That is all I want to know.

Senator LONG. If I recall my distinguished chairman, and he is a great chairman and I admire him, he is as fair a chairman and as honorable a man as I ever met in my life, but he and I used to go down and speak to these rice producers together and his program was that we ought to buy all of our sugar from Cuba, shouldn't even have a sugar industry, and then we ought to ship rice to Cuba.

He has rice production, so do we, every acre that produces sugar in my State can produce rice, so we ought to produce rice and no sugar, and we ought to rely upon Cuba entirely. If I do say when Castro took that island I figured out that was a Communist takeover faster than Mr. Fulbright did, but now having done that where would we be now if Castro was our sole supplier of sugar. Would you mind explaining that to me. Where would we be now if we were relying entirely on Castro for sugar.

Mr. MURPHY. If we had relied entirely on Castro for sugar and his production went downhill as it did after he took over?

Senator LONG. Suppose he wouldn't sell it. Suppose he decided to pour it out, he said, "I don't like you people." We don't like him. Suppose he said "We don't like you either."

Mr. MURPHY. We would have had to buy all our sugar needs from other countries.

Senator LONG. It just happened the year before he took over you had a crop failure around the world.

Mr. MURPHY. Around the world.

Senator LONG. Yes. Supposing he said "I won't sell it to you."

Senator WILLIAMS. You didn't buy it anyway, did you.

Senator LONG. No. Thank the merciful Lord we had arranged to have a sugar industry here and we had somebody else we could count on. And what you are proposing here is to give those folks a premium that they deliver it, as I understand it. You said "If you deliver now, we won't forget you later on." Isn't that right, that is your bill.

Mr. MURPHY. That is the bill.

Senator LONG. And so you said "Now here we won't forget you, you come through now and we will be your friend later on," and these people delivered, and they tell me it cost Mexico \$12 million to come through on that but they did. Isn't that why you recommended Mexico gets a quota.

Mr. SCHNITTKER. That is correct.

Senator LONG. Now where would we have been if we had no sugar industry, and had a worldwide crop failure on sugar?

Mr. SCHNITTKER. We would have had a lot——

Senator LONG. We would have been living on saccharin, wouldn't we, Metrecal, not even Metrecal, that has some sugar in it.

Senator HARTKE. Will you yield on Metrecal made in Evansville, Ind.

Senator LONG. Metrecal minus the sugar, starch instead of sugar in Metrecal.

Senator FULBRIGHT. Mr. Chairman, I don't wish to prolong this, but I would like to set the record straight. I never advocated that we buy all our sugar from Cuba. At that time we were putting restrictions upon the amount we would buy from Cuba. I was more than willing to buy from Brazil, or Peru or any place else.

As a matter of fact, I opposed the bill in toto and thought that sugar ought to be produced where it could be produced most cheaply. This business you speak of the 6 million tons being depressed, of course it partly arises from the fact that we used captive markets we are talking about. There is very little free trading. But I never proposed that we buy only from Cuba. The fact was Cuba was a good market for rice, so are some of the other countries that were potential markets. But not producing a lot of sugar or any sugar, as the Senator from Louisiana did, I thought it was quite proper that we should be allowed to seek a market without artificial obstructions being put in the way by the sugar bill. I still think this sugar bill is one of the most indefensible domestic subsidies we have. It is all out of proportion to the size of it, to an uneconomic industry. I have already given up that fight. We tried that and I couldn't succeed.

I am trying to cooperate with the Senator now, and if we will pass a bill that will allow us to have normal hearings on it as I propose I intend to vote for it.

Senator LONG. I thank the Senator. You see, I am not prejudiced in this matter. My State produces both rice and sugar.

Senator FULBRIGHT. You do all right either way.

Senator LONG. But the Department of Agriculture tells me that rice is the most subsidized crop in America. Now the Senator produces rice in his State. We produce rice and sugar both. As between subsidized crops rice tops the list. So the Senator goes before his rice producers and he says now we ought to quit producing sugar. Let us get our sugar from Cuba, and then let us sell Cuba rice.

Senator FULBRIGHT. The Senator is incorrect.

Senator LONG. And the rice producers applauded that, which is all fine for rice producers.

Senator FULBRIGHT. The Senator is misstating the facts.

Senator LONG. I am glad the Senator corrected himself. He now says he didn't want to get it from Castro but other countries, I am glad he clarifies his statements to include other people. The program could have been a disaster.

Senator FULBRIGHT. If the Senator can find anywhere in any statement that I said we should cease to buy sugar in this country I will buy him a hat. I never said it any time.

Senator LONG. I hope we can get that rice association up before us and we will have the same crowd we had last time and then we can say: "Look, fellows, you sat and heard the testimony. Fulbright made his speech, and Long made his speech, both of them were for rice producers except one of them wanted to put the sugar folks out of business."

He came from a State that doesn't produce sugar which I think is a statesmanlike thing to do. [Laughter.]

Rice is the most subsidized crop there is, Senator.

Senator FULBRIGHT. The Senator doesn't state the facts as to what I said at all. He is misstating the facts, and particularly with regard to cane sugar. In the first place cane sugar is much better than beet sugar, and [laughter] and the only States which were producing cane sugar were Florida and Louisiana. They are the only ones that naturally were adapted for it.

The others are largely artificial and is created by this subsidy.

Senator LONG. I wouldn't debate the Senator if I didn't know he could cover the ground he stands on. Thank you very much.

Senator HARTKE. Mr. Chairman, may I ask you one more question. You did not direct a memorandum to the AID?

Mr. SCHNITTKER. Agency for International Development?

Senator HARTKE. AID, that is what I am talking about, whatever the technical name is, you have not directed any memorandum to the AID people to inquire as to any possibility of determining any of your policies with relation to the Alliance for Progress nor have you received any memorandum from them, is that true?

Mr. SCHNITTKER. Senator, to my knowledge, it is true. I don't see every piece of paper that comes in and goes out of the Department.

Senator HARTKE. Yes, I think that is true. I am not trying to put you on the spot but I am just really going to put at rest how disorganized we seem to be in this Government of ours. We seem to be a separate group of nations, agricultural nations, the AID nations, and the State Department nation, and I would like to have a league of nations at least here in the United States, that is all.

Mr. SCHNITTKER. May I respond, sir, that we are in constant consultation with the Department of State on sugar matters and on other agricultural matters.

Senator HARTKE. I understand that. But you know this is a matter involving foreign policy and it wouldn't hurt you people to talk to those AID people. I think they are human.

Mr. SCHNITTKER. We would be glad to talk to them.

Senator WILLIAMS. If the Senator will yield, I will make a suggestion just in the spirit of promoting harmony between the AID program, the Agriculture and the State Departments. If we could put back the 50-percent recapture clause we would raise about \$35 million, I understand, and about 57½ percent of that represents the so-called Cuban allotment which is floating, is that correct?

Mr. SCHNITTKER. That is about right.

Senator WILLIAMS. That would be about 20 million. Put your 50-percent recapture clause in, lock your 20 million off in a special fund, feed these Cuban refugees coming over here and we will be feeding them with Cuban sugar and taking care of our AID program; you will have all of your programs at one time. [Laughter.]

Senator LONG. The next witness is Thomas Mann.

Now, Mr. Mann, you have testified before the Foreign Relations Committee, and whether you like it or not, the men you are talking to, three out of four of these Senators, are members of the Foreign Relations Committee and I am going to impose the Fulbright rule on you and that is you can say whatever you want to say and after you get through saying it every Senator has 10 minutes, and after that we will start all over again for another round, and take turns on you but we are not going to have one Senator, me or anybody else, take you on for more than 10 minutes and I am going to ask the clerk to call the roll and keep a stopwatch on us and we will just give everybody a chance to ask some questions.

STATEMENT OF HON. THOMAS C. MANN, UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS

Mr. MANN. Fine, Mr. Chairman. Thank you very much. All the Senators from the Foreign Relations Committee are highly esteemed and they are all friends of mine.

Mr. Chairman, I have a very short statement. In his testimony before the House Agriculture Committee on August 18, my colleague, the Under Secretary of Agriculture stated:

The administration's legislative proposal as finally developed retains many of the features of previous legislation and provides a balanced approach to the needs of all groups affected by the Sugar Act: consumers, domestic producers, foreign suppliers, and the cane sugar refining industry.

I agree with that statement, Mr. Chairman. The Department of State supports the provision in the legislation under which American farmers would be permitted to market an additional 580,000 tons of sugar each year. This provision recognizes that our domestic sugar industry helped to meet the needs of our consumers in the years of scarcity. In doing so, they increased their plantings and production and accumulated very considerable stocks which they are unable to dispose of in the U.S. market under existing legislation. The recommendations of the administration provide an equitable way for dealing with this problem.

In providing this relief for our domestic industry, the historical balance between foreign and domestic production insofar as the U.S. market is concerned would be upset. The administration proposals deal with this aspect of the problem by provisions which give to foreign producers the growth in our market as it rises from the level of 9.7-million-ton consumption to 10.4 million tons. When consumption reaches 10.4 million tons, the historical balance will have been restored. Then domestic producers will again have 65 percent of the growth in our market and foreign producers 35 percent.

Secondly, there is a question of how to allocate the foreign share of the U.S. market among the many countries which are prepared to sell sugar to us. Allocation of country quotas is always a difficult problem. Essentially, the administration recommends that allocations be made on the basis of recent trade patterns.

We recommend that the years 1963 and 1964 be taken as the base period not only because these are the latest 2 full years for which data are available, but because these are the 2 years at which sugar was committed to the American consumer at prices lower than the then prevailing world price. As the Under Secretary of Agriculture stated before the House Agriculture Committee, and I quote him again:

The domestic price during the period of world scarcity could not have been held so much below the exorbitant world price level had it not been for the cooperation of many of our foreign suppliers. Each of them sustained a substantial loss of revenue by sending sugar to the United States during that period. At no other time during the life of the Sugar Act was the domestic price at so great a discount for so long a time. The proposed allocation of foreign quotas at the present level of sugar consumption would—as does the administrative allocation for the current year—recognize the cooperation of our supplying countries. Quotas would be allocated essentially on the basis that each country contributed toward our import needs in 1963 and 1964 but with the latter year given double weighting. Although our foreign suppliers

sustained a price discount on their imports to the United States in 1963, the price disadvantage at the time they committed 1964 supplies was much greater, hence the double weighting for that year's performance. Furthermore, when the 1964 supplies were committed in the last weeks of 1963 and the first 2 weeks of 1964, sugar was much scarcer than in early 1963, when that year's imports were committed.

The Department of State continues to believe that this formula for making country allocations is preferable to the method recommended by the House Agriculture Committee. Under the administration's formula there is no discrimination in setting basic sugar quotas. And, in the second place, the administration's formula involves less altering of existing trade patterns than does the selection of a method which does not take into account international trade in sugar during the last 3 years. In sum, I think the administration formula is, everything considered, the fairest and most equitable way to allocate country quotas.

The third question concerning which there has been considerable discussion is the question of the recapture fee. Nearly all of the sugar which we buy offshore is produced by developing countries. For many of them their export trade in sugar is a major source of the dollars which they need in order to import our capital goods, essential to their development, as well as our agricultural exports.

As this committee knows, the growing disparity in the price of primary products from the developing countries in comparison with the prices of manufactured goods is a source of major concern to many nations. In Latin America, for example, 17 nations expressed opposition to any recapture fee as being inconsistent with the spirit of the Alliance for Progress. I personally believe that the Alliance has no more important task than to make it possible for the producers of primary products to realize a return on their exports sufficient to enable them to progress.

The administration's proposals do not, of course, change the present tariff on raw sugar which is 0.625 cent a pound. Foreign producers also, of course, bear the cost of freight and insurance and they do not receive the direct subsidy payment made to our domestic producers. It should be noted in this connection that the price for sugar which foreigners obtain in this market is less than that received by suppliers in other major markets. It is relevant to note in this connection that the United Kingdom pays almost all of its suppliers about 5.8 cents a pound, in comparison to the administration's proposal which currently works out to 5.7 cents a pound. The French pay their suppliers 8 cents a pound. The Russians and the Communist Chinese have promised Cuba 6 cents a pound.

Fourth, from the standpoint of the foreign producer, wages being paid to sugarworkers have been rising; while it is difficult to estimate the average cost of production from our suppliers abroad, the best estimates we have been able to get—admittedly these are imprecise—is that for the bulk of sugar produced the cost of production is in excess of 4 cents a pound and for some suppliers in excess of 5 cents a pound.

Fifth, the Department recommends to the committee that we maintain at the present level the distinction between the permanent and the temporary quotas assigned to suppliers. The temporary quotas represent the share in our market reserved for Cuba when conditions

again permit our buying from that source. The present level of the Cuban quota is 57.77 percent of sugar imported from foreign countries other than the Philippines. I am sure that all of us look forward to the day when conditions will permit us to resume our traditional trade with Cuba.

Lastly, the administration's proposal contains a provision that the President be granted broad powers to suspend, in whole or in part, purchases of sugar from any country on grounds of national interest and to authorize the President to allocate deficits in accordance with his determination of the national interest. We think general language of this kind is preferable to more restrictive language tied either to the rupture of diplomatic relations or any other particular circumstance such as those covered in 408(c) of the House bill.

That concludes my statement, Mr. Chairman.

Senator LONG. If I do say, Mr. Mann, you told me some things I didn't realize. Do I understand correctly that Cuba, as a Communist country, is now selling sugar to Russia at 5 percent or perhaps more than that, above the price she would be getting if she would be selling it to us, if she were still part of the free world?

Mr. MANN. The contracts between Cuba and the Soviet Union and China fix a price of 6 cents a pound. Most of this trade between the Communist countries is of course in barter but this is the price fixed in the agreement for Cuban sugar.

Senator LONG. Furthermore, do I understand correctly that the other more developed nations like the United States, and the United Kingdom and France are paying a price substantially above what we are paying for sugar?

Mr. MANN. That is correct, Mr. Chairman.

Senator LONG. Now, the suggestion has been made here that it might help our balance of payments if we did not pay a premium price on sugar.

It has also been suggested that if we pay them a lesser price, we would have to give it back to them in aid. If we pay them a lesser price and then give it back in aid, what would be the net effect on our balance of payments?

Mr. MANN. It would be the same, Mr. Chairman.

Senator LONG. It would be zero, wouldn't it?

Mr. MANN. It would be zero.

Senator LONG. You would be right back where you started from?

Mr. MANN. Correct.

Senator LONG. Don't you think those folks would feel a little prouder and could hold their heads a little higher if they would earn that money instead of taking it as a handout?

Mr. MANN. I do.

Senator LONG. Especially if they are selling at the same price England, France, and Russia are paying for sugar.

Mr. MANN. Correct.

Senator LONG. Well, thank you very much.

Mr. MANN. Thank you, sir.

Senator LONG. Senator Williams?

Senator WILLIAMS. I am just a little bit puzzled. Is the Senator from Louisiana advocating a larger portion of our sugar being bought offshore to help these countries or is he suggesting we buy more of it

domestically? As I understood it, the question that was raised in connection with the balance of payments, was to the extent that we produce our own sugar here in this country and use some that we have in warehouses, it would reduce the necessity of buying the off-shore sugar and would help our balance of payments and that was referred specifically to in the statement when you suggested that we buy this additional 580,000 tons of sugar which we have on hand in this country.

Senator LONG. You had better let me answer that question because you asked what I had in mind.

Senator WILLIAMS. Well, just a minute. You are suggesting that we use this 580,000 tons that we have on hand; is that not true?

Mr. MANN. Yes, sir. The administration's proposal accepts that the 580,000 tons should be sold in this market, and as I said in my statement, this upsets the traditional balance between the domestic and the foreign supplier. The administration's proposal is that we go back to our traditional basis gradually over a period of time by allocating a larger share of the growth to foreign countries until the balance has been reestablished.

Senator LONG. Let me try to explain what I had in mind because the Senator might be upset. You might not understand what I had in mind.

Senator WILLIAMS. No. No.

Senator LONG. As far as I am concerned I want Louisiana to produce all the cane sugar we can. I am for Louisiana, and I put Louisiana ahead of even any State much less a foreign nation, but we have to join up with the people who produce sugar as well.

Now, you have three domestic interests in sugar. You have got the cane sugar producers, which is about 10 percent. And that is mostly Louisiana. You have the beet sugar producers, who produce about 90 percent of our domestic sugar production, and then you have the refiners.

Now, the refiners do not refine beet sugar, and as far as their investments are concerned, every time we increase the production of beet sugar we just put them out of business, so they are not mad at our Louisiana people for producing cane, because they are refining cane sugar. The people they despise are beet sugar producers because they don't refine beet sugar. So it doesn't make too much difference to them where the cane sugar is produced, whether it is produced in Louisiana, Florida or offshore, Hawaii, just anywhere. So we are just a bunch of poor people caught in the middle insofar as we cane sugar people are concerned. We are caught between the beet sugar people and the refiners and each of them despises one another. They can't get along because the refiners do not refine beet sugar.

So we try to do what we can to get these people together.

Now, as far as I am concerned, I am for Louisiana producing as much sugar as we can, may I say to the Senator from Delaware, and if I could find some way to put a sugarmill up in Delaware I would put it there.

That is one of my big handicaps, I can't put a sugarmill in Delaware. But I am for Delaware producing all the sugar they can produce. There is no real conflict here. All I am saying is when you talk about making these foreign countries of Latin America sell us

sugar at the world market price you are talking about depressing their standard of living. Some years ago I tried to make the State Department give us some assurance if we paid a premium price on sugar those workers would get the benefit of that and your people prepared a memorandum which you might find down there which made a very impressive showing. It has never been in the record but you ought to go back and get it because it shows that in most of these countries, if those people get a better price for sugar the workers benefited, isn't that about the size of it, Mr. Mann?

Mr. MANN. That is correct, Mr. Chairman.

Senator WILLIAMS. Whatever I said that started that, I will withdraw. [Laughter.]

Senator LONG. I won't withdraw my remarks. I will leave that in the record. [Laughter.]

Senator WILLIAMS. I still get back to this question. We have this 580,000 tons of sugar in our warehouses, and as I understand it under existing law it requires some authority to use that, otherwise you will be required, as you interpret it, to go offshore and buy this sugar if we don't take action this year, is that not correct?

Mr. MANN. That is my understanding of the law, Senator.

Senator WILLIAMS. If that is true that would mean putting out an additional \$60 million which we would not have to put out if we use the sugar which is in our warehouse, is that correct?

Mr. MANN. Well, the administration formula proposes that we use that.

Senator WILLIAMS. I know you did. It is just a statement of fact. I am not arguing with you.

Mr. MANN. Yes, and in the hypothetical situation you mention that is correct.

Senator WILLIAMS. To that extent in this immediate period where we are bothered with a balance-of-payments problem we would have \$60 million on our balance of payments this year.

Mr. MANN. Actually I think it is higher than that. I am not sure but what the figure has not increased.

Senator WILLIAMS. It is higher, but that is a rounded figure. It is also true under your proposal that over the years to come, if that is fed back in, we would lose that.

Mr. MANN. We would——

Senator WILLIAMS. As it would be readjusted, but in the immediate future it would represent a gain.

Mr. MANN. Senator, I think it is fair to state that we—the domestic producers, historically in this market, have produced about two-thirds of our sugar consumed in this country, and about a third has been bought abroad. Now, when we absorb the 580,000 tons, actually more than that, I think at the present time, this disturbs the historical two-thirds-one-third balance, and a lot of us believe that trade is good, not bad, and that these countries are entitled to earn their way, and so what we have done is to try to help the domestic industry and at the same time avoid injury to the foreign producer.

Senator WILLIAMS. Now, just one short question. We are confronted with this situation. I realize you have endorsed the administration's bill, but that is not before us. We have before us the bill that was passed by the House yesterday. What is the position of your De-

partment if the question were put in connection with that particular bill. Would you rather see it carried over and not passed, or would you say it is better than no legislation?

Mr. MANN. We, Senator, the first thing I would say is that we have such confidence in the wisdom of the Senate that we think the Senate is going to pass the best bill which is, we think, the administration bill. We hope at least this will be the case.

Senator WILLIAMS. We are joined in that confidence.

Now then, we will talk about Mr. Cooley.

Mr. MANN. If the Senate, in its wisdom, decides not to accept the administration's bill, which I hope is not the case, then I would say—and I am speaking now for myself—I haven't consulted on this with my colleagues—I would say that I hope that a sugar bill, a 5-year sugar bill, hopefully improved over the House version, would be passed at this session of the Congress.

Senator WILLIAMS. Even though it was the Cooley bill?

Mr. MANN. I would hope that—

Senator WILLIAMS. Is that correct?

Mr. MANN. I hope it won't be identical with that because if the Senate passed a version that did not coincide exactly, you would go to conference and I would hope the Senate would try to improve on the House bill.

Senator WILLIAMS. I would hope so, and I certainly hope we can improve on your bill, too.

Mr. MANN. It is possible.

Senator WILLIAMS. The point I am making is is this a token opposition to the bill passed by the House or are you going to join some of us in saying we are going to try to stop this House bill and solve this problem right at this particular time?

Mr. MANN. Senator, I think I have made it very clear that we think a sugar bill, a 5-year sugar bill, along the lines proposed by the administration is what the consumer needs in order to have a secure supply available in the future. We think it is such a bill and that it serves the needs of the domestic industry. We think that it serves a vital need in the producing countries of the world, most of which are underdeveloped. We think that obviously we ought to have a Sugar Act. This has been the pattern in our history and when we have had a Sugar Act, sugar prices have been stable and we have gotten along very well. We have gone now nearly a year without a Sugar Act. We were unable, as you know, to get one passed last year, and I would regret it if the decision of the Senate were to postpone this for still another year.

Senator WILLIAMS. Well, the suggestion has been made that we postpone it until the first of the year, when we can have just a little more time to put to it, rather than run it through here with a 1-day hearing and maybe inadequate consideration.

As I understand it, in arriving at your own recommendations you spent many hours or days or weeks in studying this and working out what you thought was an equitable formula, did you not?

Mr. MANN. Senator, the technicians spent a great many man-hours, to use a bureaucratic phrase, on this. I myself did not do all of the arithmetic. I work on other things, too, but I spent a good many hours on it.

Senator WILLIAMS. Do you not think it is important enough that we, too, as members of the committee, and Members of the Senate who are going to have to work on this, spend a few hours on it?

We haven't had the bill before us until this morning, and to be exactly correct I guess we don't have a bill yet. The Senate is not in session, and we won't get the bill until tomorrow.

Senator LONG. You have the best bill before you. You have the Long bill which is the best one.

Senator WILLIAMS. We have the Louisiana bill.

Senator LONG. The one he is advocating, as I understand it.

Mr. MANN. Senator, I regret as much as the Senators here the fact that historically the sugar bills have come to the Senate rather late in the session. I do want to say to you that this is not due to any delay or dereliction on the part of the administration.

Senator WILLIAMS. No, I didn't say that.

Mr. MANN. We introduce a sugar bill in the House where normally they are introduced first, at the time which is convenient to the chairman of the House Agriculture Committee.

Senator WILLIAMS. That was in August.

Mr. MANN. And the House Agriculture Committee determines when the hearings will be held, and when the bill will go to the floor, and that, in turn, usually sets the timing when you receive it here. I regret that it has been late.

Senator WILLIAMS. But the administration knew last year, and you failed to get the enactment of the bill. Yet you did not get your recommendations down even to the House until in August of this year, as I understand it. I am wondering if we couldn't work out some kind of a compromise to extend this over until the early months of next year, at which time we could have orderly hearings, more time for consideration both in the hearings and in the Senate, and really work out a more intelligent solution.

What you are asking for is a 5-year program. It is not just a 1-year program.

Mr. MANN. I respect very much the Senator's view on this. I would like to make two points, Senator.

First, the sugar bill before this committee is not a new bill. This is, in effect, legislation with which this committee is very familiar, has been familiar with over the years. The changes made in it from the traditional pattern are rather easily identifiable and not too significant.

Secondly, if I might suggest, recent history doesn't indicate to me that if we don't get a sugar bill now that we will get one in the spring.

Senator WILLIAMS. Well, you never have tried one in the spring. From my experiences since I have been down here, it was a 2- or 3-day job at the last of the session.

Mr. MANN. This is, to be frank with the Senator, my concern. If the Senate doesn't act it will be sometime before the House and the Senate can get together on a bill, and it will not be the spring, it will be considerably later than the spring and this will introduce uncertainty in the markets here and in markets around the world and in all the countries that depend on this market.

Senator WILLIAMS. Well, you just expressed your great confidence in our ability as members of the Senate, and so if you could just retain

that confidence over until next year, why—no further questions, at this time.

Senator LONG. Senator Douglas.

Senator DOUGLAS. Mr. Mann, the differences we developed between the domestic price and the world price of sugar were about 3.6 cents a pound. This comes to \$72 a ton on the basis of the total imports from countries other than the Philippines 2,300,000 tons. This would amount to \$160 millions bonus to foreign producers. If we bought at the world price these savings would be passed along to the consumers and we would have savings therefore of \$160 million.

I take it you are opposed to purchasing at world price.

Mr. MANN. Senator, that is correct. We don't think that it is any wiser to buy sugar at lower than the cost of actual production from our friends abroad than it would be to buy it from our own domestic farmers at a depressed price.

Senator DOUGLAS. I proposed this morning, although I don't know that you heard it, that we not take the market price but rather a 15-year moving average, and I can say that my computations show this would be approximately 4.22 cents. I have been in the Caribbean countries a good deal, and this figure, I have frequently heard in talking with people who know the industry, is a pretty good figure. The high figures in Santo Domingo are due to the fact that when Bosch came in he doubled the wages, and efficiency went down. I approved very much of Bosch in general but I think it is true that costs went up in sugar refining in Santo Domingo. I am told that the private company which operates in Santo Domingo can produce at, approximately this figure, 4.25 cents.

Suppose we strike out the current market price and say the difference between the 15-year moving average or world market price, and—we buy it at the 15-year moving average, or the market price, whichever is higher.

Mr. MANN. Well, Senator, as you know as well as anyone, there is a very deep-seated feeling on the part of developing countries that the prices they receive for their basic products continue stable, while the prices they have to pay for capital goods needed for their development are steadily rising.

This is a very strong feeling. Even as we are speaking here, there has been a meeting going on, I think, in Geneva, where the developing countries are suggesting in accordance with recommendations which some 77 nations have made that more consideration be paid to terms of trade, and specifically they are suggesting that the beet sugar forgo production increases in the northern half of the globe so that the developing countries can supply us with sugar.

Now that is one extreme which is obviously not acceptable to us.

The other extreme would be to extract from them the lowest possible price under whatever formula, and there are a number that could be worked out, none of which, I think, would be in the national interests.

Senator DOUGLAS. I spoke of a 15-year moving average and this would include the high prices of 1950 and 1951 resulting from the Korean war, high prices of 1963-64 because of the world crop failures and decreased production in Cuba. So they would get the advantage of a stable price and of a 15-year moving average, which would be about 4.2 cents.

Now, I agree that 2 cents is a hard bargain and I don't want to drive such a hard bargain. But 6.8 cents is a windfall amounting to hundreds of millions of dollars paid by American consumers and the poor use more sugar than the rich.

Mr. MANN. Senator, whatever formula we use the price to the American consumer remains the same unless the structure of the Sugar Act is altered radically.

Senator DOUGLAS. I was not proposing even that.

Mr. MANN. What you are proposing in essence is a saving in dollar exchange; it would not be passed on to the American consumer.

Senator DOUGLAS. I am starting on with a lower price to the consumer. Now you say that involves too much of a change in the act. What about an import fee which you have always opposed in the past and which you were successful in defeating in 1961, how about an import fee, this would reduce the cost to the taxpayer?

Mr. MANN. Well, Senator, I think it is perfectly possible to drive the price down. The actual——

Senator DOUGLAS. No, I am proposing to keep the price at the 15-year moving average, but that the difference between the 15-year moving average and the current market price be offset with an import fee, a corresponding import fee, and this, according to my computations will mean a saving of around \$160 million a year, no small sum to the hard-pressed American taxpayers.

Mr. MANN. Senator, regarding the cost of production, I am not sure that I agree that the average cost is as low as you put it. It is, as I said in my statement, something that is very hard to be categorical about, but certainly the cost of production is between, somewhere between, 4 and 5 cents, with a consideration——

Senator DOUGLAS. I put it at $4\frac{1}{5}$ cents.

Mr. MANN. Excuse me, sir, with a considerable number of producers producing at a price in excess of 5 cents, at least some.

Senator DOUGLAS. I would be willing to go back and take a 20-year moving average.

Mr. MANN. Yes.

Senator DOUGLAS. Which would include the high prices of the war period.

Mr. MANN. I was about to say, Senator, that the net price which the foreign producer gets for sugar in this market, as I understand it, is 5.7 cents. He gets a total of 6.8, but if you deduct from that the tariff he has to pay and the freight and the insurance he is actually getting 5.7.

I myself, think, that is not an exorbitant price to pay for sugar, the cost of producing which is somewhere between 4 and 5 cents a pound. This is what we are talking about.

Senator DOUGLAS. Well, if you gave them $4\frac{1}{2}$ cents this would be a saving of \$25 a ton on $2\frac{1}{4}$ million tons. It would be a saving of something over \$60 million. I cannot take those figures as inconsequential. The Department of Agriculture tosses them off as only a few millions; I cannot take those figures as inconsequential.

Mr. MANN. Well, I certainly didn't say that any figure of that magnitude is inconsequential. The point is whether we should——whether it would be in the national interest——

Senator DOUGLAS. Why isn't it?

Mr. MANN (continuing). To deprive sugar-producing countries, sugar-exporting countries, of this part of their—what I would consider to be—their fair share of the purchase price in this market, which I repeat, is not any higher, and indeed is lower, than the purchase price paid for most of the sugar produced in the world by other countries.

Senator DOUGLAS. You come to their fair share, let me ask you, do you think they have these quotas as a right?

Mr. MANN. No sir.

Senator DOUGLAS. Where do they get their quotas?

Mr. MANN. We live——

Senator DOUGLAS. Do not the quotas come from the previous Cuban quota of approximately 4 million tons which has been distributed in three ways since we properly placed a boycott on Cuba; namely, some increase in domestic production, some for increased purchase from the Western Hemisphere, and some for the countries outside the Western Hemisphere? Isn't that where the Cuban quota was distributed?

Mr. MANN. Yes, sir. That is the way the Cuban quota was distributed.

Senator DOUGLAS. Now, I will come to this question in a minute because the Senator from Arkansas referred to it, but is it not true that the Congress has repeatedly warned the State Department that these quotas should not be viewed as a right, that they were merely temporary allocations which could be discontinued at any time, isn't that true?

Mr. MANN. That is correct, Senator.

Senator DOUGLAS. Yes.

Mr. MANN. That is correct.

Senator DOUGLAS. Has the State Department so warned these countries that Congress has declared this is not a right?

Mr. MANN. Yes, we have, Senator.

Senator DOUGLAS. In my travels through the Caribbean region I find that the countries assume, however, that this is a right, and that any proposal to diminish the quantities or reduce the price which they have received is treated as a violation of a contractual right which we have made with them.

Mr. MANN. I agree with the Senator completely, that trade or aid, neither one is a state of nature, but we do live in an interdependent world and we try to export, and we try to import in a way that meets our essential needs and, we hope, our national interest, and also the needs of other countries. I don't think this is a right. I don't suggest to the Senator that anybody has a right to any particular price.

Senator LONG. Senator, we are operating under the Fulbright rule.

Senator DOUGLAS. I didn't know we were—or what it is.

Senator LONG. The Senator has used up his 10 minutes. We will come back to you, Senator Douglas. You have asked some very enlightening questions and you have done a great job.

Senator FULBRIGHT. I did not suggest this rule.

Senator LONG. That's the rule on the Foreign Relations Committee. It is well that members get used to it. It is a very fine rule.

Senator FULBRIGHT. The committee follows that rule when there is a large attendance. We never do when there is a small attendance.

Senator LONG. I am sorry.

We are proud to have the chairman of the Foreign Relations Committee here.

Senator FULBRIGHT. I don't wish to stop the Senator. I made no such suggestion at all.

Senator LONG. You didn't—I did. I don't ask you to take full responsibility. I thought that's the way we operate on your committee.

Senator FULBRIGHT. When there is a large attendance we do. I have no objection to it. It's a pretty good rule under some circumstances. We normally don't have bills come before that committee of this magnitude and expect to pass on them in 1 day, with hearings that are as rapid as this one. And this is true every year.

Senator LONG. We have not passed on the bill. We had one man sit here for 6 hours, Mr. Chairman, and then this man has been here for about an hour. I don't think we are in any great haste about working on the bill, even though the Congress is about to adjourn.

Senator FULBRIGHT. Mr. Secretary, your justification with regard to the developing countries might be acceptable. What about these countries that are not developing countries, such as South Africa and Australia? What justification do you have for including them?

Mr. MANN. Our normal trade policy is one of most-favored-nation nondiscrimination.

What we attempted to do, without discriminating against anyone, was to allocate quotas in accordance with exports to this market in 1963-64, and simultaneously we recommended, the administration did, that the President be given the authority to cease in whole or in part buying sugar from any particular country.

Now, in the case of South Africa, the United Nations has been considering this, as the chairman knows, and they have passed certain resolutions which we adhere to concerning the sale of arms, I believe.

We have not yet decided to levy an embargo on all exports from South Africa, and indeed we sell a great deal to South Africa, we trade with South Africa.

It may be that in the future this policy will be changed, either in the United Nations or nationally.

Senator FULBRIGHT. Well, Mr. Secretary, I do not see any analogy between a premium price, a subsidy, and normal trade.

The most-favored-nation treatment is a policy developed with regard to normal trade. It seems to me it is a false analogy to say that this also applies to handouts.

We don't do that in the aid program. We certainly pick and choose between them. And your justification all along here for this is because they are developing, and therefore they need it.

Now, you shifted to nondiscrimination.

But we have never had a principle of nondiscrimination when it comes to aid. And this is aid.

You make it equivalent to aid, a form of aid, when you are talking about developing countries.

I don't see how you can slip over and apply that to ordinary trade, which this is not.

Mr. MANN. Well, it is ordinary trade, Senator, in the sense that 90 percent of the sugar trade in the world moves in sheltered markets and at prices which are as high or higher than we pay in this market.

Now, I would say that the 90 percent is a better indicator of what is normal than the 10 percent.

Senator FULBRIGHT. I don't understand why you do not advocate that we simply increase the quota to these developing countries. It is

my information that many of them will be willing to take larger quotas—they employ high-priced representatives to increase their quota. And isn't it a fact that they could supply more than these quotas—the developing countries?

Mr. MANN. I think that's correct.

Senator FULBRIGHT. Well, then, why don't we give it to them?

Mr. MANN. Most of the countries—all of the countries in the Western Hemisphere, which is the lion's share of this—we cannot really count the Philippines, because this is a treaty right, as you know—are developing countries, and the great majority of them in the Eastern Hemisphere are developing countries.

There are many African nations there. There is Taiwan, where we have a national interest, I think, in helping them to maintain their economy.

Senator FULBRIGHT. Well, we have just discontinued economic aid to Taiwan on the ground they did not need it. Now you come back and give it to them again. The AID people bragged about the fact that we could discontinue aid to Taiwan, because she has now reached the point where she does not need it.

Now you come in and say we are going to give it to them in another way.

Mr. MANN. Senator, with all due respect, I really do not think that trade in sugar is exactly the same as aid.

Senator FULBRIGHT. Well, I thought that is the point you were making—this is a form of aid, that we are giving it to developing countries that need it. That is rather persuasive, because I agree most of these countries, with some exceptions, are recipients of aid, and if you are going to give them aid, it is probably a little better to give it this way than it would be a direct statement. Although I am not sure. The point that the Senator from Illinois makes is that there is very little assurance in many cases that this really reaches the economy as a whole. Perhaps they would raise their labor from 10 cents an hour to 12 cents an hour, maybe 15. But the major part of it accrues to a few very large and very wealthy producers, the ones who hire their representatives here.

But that is neither here nor there.

I am willing to go along with you on the argument that it is in the place of aid. But how you can justify it in countries like South Africa, the largest producer of gold and diamonds in the world, with certainly a favorable balance with the whole world—and who in no way needs it—Australia doesn't need it—I don't quite see why non-discrimination can be stretched so far as to include them under the umbrella.

I was coming to this point.

Senator LONG. Might I insert this?

Would you mind providing for the record the wire you sent those South Africans that we could not get sugar, telling them that if they would provide this sugar, we would buy sugar from them in the future, and that they could count on favorable treatment from this country if they would provide us sugar when we could not get it?

Mr. MANN. Mr. Chairman, I will do that. I would like to say for the record I was in Mexico, as Ambassador, at the time this wire was sent. I personally went over and talked to the Foreign Minister and

delivered the note saying in effect that if they would help us in our time of need, that this is something we would take into account.

(The telegram referred to was read into the record by Mr. Tom Murphy on p. 101.)

Senator LONG. It cost them \$12 million to do that, they tell me.

Mr. MANN. And I remember that the domestic sugar industry in Mexico, which by the way is not owned by a few rich people—it is owned by many, many very small farmers—came and asked me, as Ambassador, if we were serious about this, and since I had just delivered a note on instructions, I told them we were. And they asked me if I realized that this would mean a loss to them, to the industry, the private sector, something in the neighborhood of \$12 to \$15 million, and I said that I did. And they sold us the sugar.

Now, I think substantially the same thing must have happened in all the other countries that exported to us at lower than the world price during the 1963–64 period.

Senator FULBRIGHT. Since we are on a time limitation—is the chairman on his own time or my time?

Senator LONG. I will give you more time.

Senator FULBRIGHT. Are you taking this out of your time?

Senator LONG. I am just trying to operate by the Fulbright rule. You call it as you see it, Senator.

Senator FULBRIGHT. I don't interrupt my members when we are on a time limitation.

Now, take this great sacrifice. Isn't it a fact that Mexico and the others, too, have already made up out of this year's allocation as much as they sacrificed? Now you are proposing to pay them 5 years, a big quota that is as much each year as they lost on that 1 year's shipments. That is not a very good business deal, if that is the reason.

But I am not quarreling about Mexico. There are special reasons about Mexico, and all these others.

What I am quarreling about is these countries who do not need it, that are as well or better off than we are—why we want to give them a big handout is beyond my comprehension.

Now, why would you object to an amendment that the recapture fee should apply to countries outside of the Western Hemisphere? Would you have an answer to that?

Mr. MANN. Senator, I could not recommend that because most of them are developing countries. South Africa plays a small part in this, comparatively.

Senator FULBRIGHT. Well, is Australia?

Mr. MANN. There are a number of African countries here. I can read them to the chairman.

Senator FULBRIGHT. I have the list. You don't need to read them all. They were gone over this morning.

But you have Fiji in here. As a matter of fact the production in Fiji belongs to a very big Australian corporation. All the benefit really will accrue to it—the same corporation that supplies much of the sugar of the Australian quota.

I have nothing against Australia. I just don't see why we should give them aid in this form. We don't give them aid in any other form.

Mr. MANN. They are one of our staunchest allies.

Senator FULBRIGHT. I know that, sure they are. And we are helping them, too. But I don't know why this is a way to pay them.

Mr. MANN. Well, Senator——

Senator FULBRIGHT. They are friends.

Mr. MANN. If you would accept my premise, which I don't think you are going to, that this is not aid, that this is trade, normal trade, the kind of trade where 90 percent of the world sugar moves in, then I think this problem would go away.

I do not accept the premise that every time we buy a pound of sugar from Australia that we are extending aid to Australia. I would rather put it that I would hate to see us pay a lower price than Europe pays, than the Sino-Soviet bloc pays, and England pays, and that all the rest of the developed countries pay. I would hate to see us adopt the price that is below what I would consider to be the world norm.

Senator FULBRIGHT. Well, put it another way. I just don't see why you include them in. Why not just confine it to the developing countries?

Mr. MANN. Simply because Australia in 1963 and 1964, the base period selected, did ship to us a certain quantity of sugar, and we did not want to discriminate against an ally which is furnishing, at considerable cost, troops and other things in the Vietnamese struggle, for example.

Senator FULBRIGHT. Well, let's get to one other subject.

On the allocation of the quota, do you prefer, do you recommend that this be a function left to the House Committee on Agriculture or the Congress, as you like, or that the executive should do this job?

Mr. MANN. On the allocation of country quotas, Mr. Chairman?

Senator FULBRIGHT. Foreign countries, yes.

Mr. MANN. I don't mind giving my opinion on this.

Senator FULBRIGHT. Well, that's what I asked for.

Mr. MANN. If it is understood that I am not trying to dilute the authority of Congress.

Senator FULBRIGHT. No, I am not very sensitive about that. I don't have anything to do with it anyway.

What's your opinion?

Mr. MANN. My opinion is that the allocation of quotas can best be made by the technicians on the basis of existing trade patterns.

Senator FULBRIGHT. In the executive branch?

Mr. MANN. In the executive branch.

Senator FULBRIGHT. Well, then——

Mr. MANN. That is my personal opinion.

Senator FULBRIGHT. Well, then would you approve of the substitute I offered which does that? It takes care of the domestic exactly as the administration bill does. Really the only difference in it is with regard to who is to allocate it, and it asks the administration to set up a permanent method for foreign allocation—hopefully this would improve the climate under which this bill arrives in Congress each year.

Do you have any objection to that procedure?

Mr. MANN. Senator, I would answer that in two parts, if I may.

As far as the present bill recommended by the administration is concerned, there is no need for that because the allocations had been made on a nondiscriminatory basis compatible with our normal commercial practices.

If the Senator is saying that for the future the Congress would like to have the executive take over his task, this is something that I

would recommend to my many bosses, and they are many, as something the administration ought to support.

Senator FULBRIGHT. Well, it seems to me that is what that substitute does, because you retain your existing power to make the allocation just as you have, presumably, under that. Under that substitute you would make exactly the same ones you now make, unless in the course of the hearing you have been persuaded that some of these countries don't deserve it. But that is still your discretion. You could make precisely the same allocation you have already made. So it would not change that in any way.

Mr. MANN. We are talking about this particular provision, in a separate law, plus the bill which is before the committee, this is something that I would say, as I have already said—that I would personally support. But your bill substantially changes the administration bill, Mr. Chairman, in many ways, and among other things it defers any final action on it until some indefinite time in the future.

Senator FULBRIGHT. But the existent sugar bill runs until next December 1966. So you still have the existing authority. It does not defer anything other than the method by which you would permanently allocate it. It does not defer the allocation. You would still have the same rights you now have. Actually there is no need for a bill, except for the domestic people who have made a good case, and I don't think anybody is arguing with it—I certainly don't. And I don't see that it changes anything from the administration bill other than it gives the executive, the responsibility to develop a permanent method of allocation instead of having this kind of hassle.

Mr. MANN. Well, that feature of it, as I said, I have no trouble with. But I do think that not only should the Congress think about the needs of the domestic sugar grower, but we also ought to think about the foreign growers, and they need a bill so that they will know how to plan, what revenues they can count on when they making up their budgets, make their plans ahead, just as our people.

Senator FULBRIGHT. Maybe I don't understand it—but if we had no bill at all, it seems to me you now have authority to give them the allocation, which would be the same that you have already set out in this bill. You already done it this year.

Mr. MANN. Senator, there is a difference, I think, between the administration making an allocation for a 1-year period and Congress passing a bill for a 5-year period. This is that difference I am talking about.

Senator FULBRIGHT. Well, of course, that 5 years is what bothers us, whether or not we are doing right. I think the 5 years is the element in here which is rather unusual.

How often have we passed a 5-year bill?

Mr. MANN. Well, I think 4 and 5 years is about the standard. I am not as well acquainted with the Sugar Act as you are, Mr. Chairman.

Senator FULBRIGHT. Usually 3 years has been the longest, has it not? Five years is longer than I can remember.

Mr. MANN. I am told that, pre-Castro, the average was four, Mr. Chairman.

Senator FULBRIGHT. What—

Mr. MANN. If it would make the chairman feel better, we might be able to live with a 4-year bill.

Senator FULBRIGHT. That does not really bother me so much as this method of allocation.

But what I am trying to get at is for you to take this—and I agree with what you said about the allocation. I think the people who are in the executive who are experts on this, spend all their time on it, are better qualified to do this. That is what we are trying to get at in this substitute.

Mr. MANN. Really, Mr. Chairman, what I think we have learned this year is that if we depart from a nondiscriminatory basis for allocating quotas, everybody has a different criterion, and you open up a Pandora's box. One person wants to eliminate because they vote one way or another in some OAS meeting. Another person wants to favor or punish because of some other act that has taken place in the past. And I think when you start down this road, picking and choosing, you get so many criteria that what you end up with is a kind of Tower of Babel, without much rhyme or reason to it. And this rule of following nondiscriminatory trade patterns, until such time as a decision has been taken, either to break relations or to break commercial relations, or to impose sanctions, or something of that kind is, I think, the most orderly way to trade.

Senator FULBRIGHT. Well, my time is up, I am informed.

Senator LONG. Senator Hartke.

Senator HARTKE. Mr. Secretary, the last paragraph of your statement deals with the problem which I was discussing with the members of the Agricultural Department—that is in regard to section 408(c). Why is the administration interested in diluting or eliminating, I should say—eliminating the authority, really, of the President to act in this field in regard to the expropriation, seizure of American property and American business in countries which are receiving preferential treatment in regard to sugar purchases?

Mr. MANN. Senator, the administration bill does not propose the elimination of the President's authority regarding the Hickenlooper-Adair amendment.

What we do propose, in lieu of this, is broad authority to the President to reduce or eliminate purchases from any country whenever he deems it in the national interest. That includes this and many other factors.

Senator HARTKE. Well, what is there objectionable to the law as it is written in section 408(c) or what is there objectionable in the provision of section 4(c) as contained on pages 28 and 29 of the House bill?

Mr. MANN. Senator, I am one of those who believe that the Hickenlooper-Adair amendment is not a bad law. I think it has been stated in enough bills where everybody understands how the Congress and how the administration and how the American people feel about confiscation of property. All we are suggesting here in this bill is that the President be given very broad authority which would include this, but not be limited to this, to buy or not to buy in accordance with his determination of what the national interest is.

Senator HARTKE. Well, why take this out of the bill? Why not just add that provision and say that the President shall have that authority? Why change it? Isn't it an elementary principal of law that it is presumed that the legislature would not do a needless thing?

Mr. MANN. Senator, it has been so long since I practiced law, you have got me on that one. I think that is a rule, one of the rules of interpreting statutes, if I remember correctly.

Senator HARTKE. Yes. In other words, it would be a presumption that something occurred—in other words, I think it would be a fair interpretation, if you took this out—it would be a fair interpretation of the law then to say it was taken out for the very specific reason that expropriation and seizure of American business and seizure of American property in any foreign nation should not be justification for suspension of the quotas. Isn't that their interpretation?

Mr. MANN. I don't think that would be interpreted that way abroad, sir.

Senator HARTKE. Well, what other purpose can there be, in other words, in taking this out? What's the reasoning? Whose recommendation is this? Is this a State Department recommendation?

Mr. MANN. The State Department recommendation made initially was that the President be given very broad authority to buy or not buy from any particular country, wherever he deemed it in the national interest. And I think the advantage of that paragraph, which is very short and very simple, over this very long, complex paragraph which could raise a lot of legal questions—

Senator HARTKE. For example, what legal question can be raised? Nationalization? I think that is a very clear term. Expropriated or otherwise seized of the ownership or control of the property or the business enterprise owned or controlled by U.S. citizens or any corporation, partnership or association not less than 50 percent beneficially owned by a U.S. citizen—is that difficult to understand? I think that is very easy to understand.

Mr. MANN. I have not studied this. I have not had a lawyer study it, Senator. All I can tell you is that the Hickenlooper-Adair amendment, which this is based on, did raise a number of legal problems.

Senator HARTKE. Now, in your statement, Mr. Secretary, you say that you want this taken out. Now, certainly there must be some reason why. You could have put it into your short written statement—it was not a long statement, it was a short statement.

Mr. MANN. Well, Senator, if I may explain my position, it is very simple.

I think there is an advantage in having a short, simple paragraph which gives great flexibility to the administration, to the President, to act whenever situations such as those described here and others occur.

Senator HARTKE. For example, what other conditions are you thinking of?

Mr. MANN. I think it is better not to try to enumerate every situation—some of which we could not possibly foresee—and spell this out in detail, that is essentially my position.

Senator HARTKE. Do you feel that this is a complicated wording here on page 29 of H.R. 11135 where it says that if there has been been—

violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within 6 months following the taking of action any of the above categories to take appropriate and adequate steps to remedy such situations and to discharge its obligations under

international law toward each citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated, or otherwise seized or to provide relief from such taxes, exactions, conditions, or breaches of such international agreements as the case may be,

and so forth—do you think those are complicated words? Aren't these the very things that happened in many of these nations to which we object very seriously, and as a result we have attempted in many cases to secure agreements from nations which heretofore have not given us such approval and such assurances?

Mr. MANN. Senator, I don't think that is any more complicated than a lot of other things.

Senator HARTKE. That's what I agree. I think that is very fine language. I approve of it. I would just like for you to approve of it. If you approve of it, we can end this discussion and hurry this hearing along.

Mr. MANN. You don't think as a lawyer that this phrase "violated the provisions of any bilateral or multilateral international agreement" would ever give rise to any interpretations of any kind?

Senator HARTKE. I think it might give rise to interpretations that might be all right. But I don't think it is going to give any more rise to interpretations whether or not the President makes any decision with regard to these matters, or somebody down in the State Department says this is not sufficient to impose any suspension of the quota, such as going in and appropriating our property.

Don't you think that American business has a right to expect the American flag someplace to give it some type of protection, when we are paying a premium price for their sugar, a quota—we have a whole roomful of people here looking for a quota. Maybe we can find some country that does not want to agree with that, and some other country might be willing to pick up that share.

Mr. MANN. Senator, I spent a good part of the last 23 years of my life trying to help the American investor and help collect claims. The answer to your question is that I think one of the elementary duties in the Foreign Service, one of our first duties and oldest duties, is to protect the lives and property of American citizens abroad.

We are talking now about the best way to do this.

All I am suggesting to you is that if you gave the President flexibility that would enable him in some cases to suspend instead of cut off, he could reduce it instead of eliminating it entirely, and have all kinds of room to maneuver. And I would say that it would be in our national interest to give the President that power, rather than to put him in a kind of a straitjacket.

Senator HARTKE. You think this provision puts him in a straitjacket? Let me read it to you.

The President shall suspend any quota, provision of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken.

I think that is very broad, discretionary authority given to the President. If the President makes a finding that he is satisfied that the American business interest has been protected, then it is sufficient—that would be justification for him to go ahead.

What is wrong with that type of provision?

Mr. MANN. Well, it is not as flexible as the other paragraph that I referred to, Senator.

Senator HARTKE. Well, maybe I am not as interested in having it as flexible as it has been in the past. I recall that when I went over to Nigeria, that the State Department had been negotiating for a number of years, I think they said 21½ years when I went over there, for an expropriation treaty. And I talked to the Prime Minister about that—Prime Minister Balewa. I said I was going to come back here and recommend no foreign aid be extended to Nigeria until that agreement had been signed. Before I got back here the documents had arrived and was signed before the end of the year, 1962.

Do you see anything wrong in interesting the other countries in accepting international responsibilities and abiding by agreements?

Mr. MANN. May I ask a question, Senator?

Senator HARTKE. Yes.

Mr. MANN. I have not really studied this paragraph as much as you have.

Does this say that if a country has not signed, let us say, an investment guarantee agreement it should not be able to sell any sugar to us?

Senator HARTKE. No, it doesn't mention an investment guarantee. It says if they violate any provisions of an agreement that was entered into. In other words, if we have a treaty or international agreement with them, either through a bilateral agreement or through a multilateral agreement, those treaties are to be upheld. If they violate them, this is reason for suspension.

Mr. MANN. Unfortunately my Legal Adviser is not here. I wonder if you would permit me to ask him to prepare an opinion on this and we could have it to you by tomorrow noon.

Senator HARTKE. If you can assure me he will have a favorable opinion, I will be glad to.

But let me ask you this, then—we will pass that.

Is my time up?

All right.

I took 7 minutes out of 6 hours on the last man. That's not bad.

On this question of the AID people, have you discussed this matter with AID in regard to the Alliance for Progress in any nature whatsoever?

Mr. MANN. Certainly.

Senator HARTKE. You have?

Mr. MANN. Yes, sir.

Senator HARTKE. If they say they have not, would they be wrong?

Mr. MANN. Yes, sir.

Senator HARTKE. With whom did you discuss it?

Mr. MANN. With the Coordinator of the Alliance for Progress, Mr. Vaughn, and several of his staff—my staff and his staff. I think I discussed it personally on one or more occasions with him. But certainly my staff has at great length.

Senator HARTKE. Are there any memorandums or exchanges of memorandums between the two agencies, between the State Department and the AID agency?

Mr. MANN. Senator, I don't think we make interoffice memorandums when we talk to each other. We would not get anything done if we did that. We move pretty fast over the telephone and in the corridors.

I think the Senator can assume that the AID agency is an integral part of the State Department. I attend meetings with Mr. David Bell, who is the AID Administrator, three or four times a week. We discuss all kinds of problems around the world.

I attend meetings with Mr. Vaughn, staff meetings, and we meet together.

I think the Senator can assume that we do our best to keep coordinated.

Senator HARTKE. But there are no records of such discussions.

I understand my time is expired.

Senator LONG. Senator Carlson.

Senator CARLSON. Mr. Secretary, I shall not ask many questions.

I believe you made the comment that some of these allocations were made based largely on some help that you got when there was a little sugar difficulty in world supply.

As I read the House Agriculture Committee report it says that countries which lost money by shipping to the United States in 1964 have already made it back in 1965. Yet as I read the bill, the administration bill is designed to reward these countries over and over again between now and 1971. How do you justify that?

Mr. MANN. Well, the world price of sugar over a year ago was higher than the U.S. price. Normally the U.S. price is higher than the world price.

I don't think we ought to justify buying sugar abroad solely on the basis of 1963-64. I think we have an obligation as a large market, as a developed country, to pay fair prices for primary products around the world. That is the real basis for this. And in 1963-64 quota period, we emphasized that simply because of the history that we have already been over. That had more to do with the base period that we selected than the other thing that you are talking about.

Senator CARLSON. Well, do you think that we should give them a 5-year payment, increase in quotas, based upon what they did for 1 or 2 years, rather than a shorter period of time?

Mr. MANN. Not solely on that basis, Senator, no.

Senator CARLSON. Well, I am a little concerned about some of these allegations. I notice that the administration bill gives about a 1-percent quota to France, and two of her islands.

Now, how many dollars would that be worth annually to France?

Mr. MANN. Senator, I was impressed—I don't know whether it was you or Senator Douglas who mentioned this today. I myself would make a distinction between French colonies and British colonies, the distinction being based on the practical ground that France is able to take care of its own colonies and England is having a hard time doing so.

Senator CARLSON. Well, I regret sincerely I was not here this afternoon. These are questions that I happened to think of. If these have been asked before, I regret it very much.

Mr. MANN. I would take the responsibility of saying that if this committee thinks that we should not enlarge our trade over past historical levels with French colonies on balance-of-payments grounds, and if we put it squarely on balance-of-payments grounds, I would not find that difficult.

I have not had a chance to talk with my experts about it.

I would suggest, Senator, that Jamaica, for example—although it has a preference within the British Commonwealth—has very deep, serious economic problems. And the same thing is true of British Guiana where Mr. Burnham is making a fight for freedom against great difficulties.

Largely the same thing is true of Trinidad.

These are not countries that we can realistically say can go to England or go to another member of the Commonwealth which had adequate resources to help them. And they are in our backyard.

Senator CARLSON. Well, I assume that you have discussed this and I shall not press it further—because I regret I could not be here this afternoon.

You are taking away, as I understand it, in the allocations in this administration bill quotas from the Alliance for Progress countries which we are very interested in not only supporting, but we are doing everything we can, in giving them to underdeveloped countries in Europe and Asia.

Can we justify that? What is the justification for that?

Mr. MANN. This is a political judgment. I am usually accused of favoring Latin America, Senator. The State Department collective political judgment was that southeast Asia is a battleground, and that we should not take action now which would be discriminatory against our friends and allies in that area of the world.

What we did do was to—I believe I am correct on this—what we did do was to give Latin America a larger share than some of those countries like Australia and some of the others, so that Latin America under the formula that we are proposing would be restored to its historical position in this market, within a period of about 5 years.

Senator CARLSON. Well, I will be frank with you and state that I have not studied this enough to be thoroughly familiar with it. But I think we did cut back some Latin American countries rather substantially, and they are countries that we are interested in maintaining on strong terms. And I am a little bit like the Senator from Indiana—to me this is an aid program. You may not regard it as an aid program, but for those of us who are on the Senate Foreign Relations Committee it gets to be pretty much of an aid program, and therefore I am hoping that we can at least keep in mind that if we do not give them some trade, that we are going to have to turn to aid, and furnish aid.

Sugar is one product that personally I would like to see our domestic consumption, or production, increase on. But if we have got to give aid, let's give it to our closest neighbors first. Maybe we are taking care of them based on your statement.

I shall not press this further, Mr. Chairman.

Senator LONG. Senator McCarthy.

Senator Douglas.

Senator Williams.

Senator DOUGLAS. Mr. Mann, in previous questioning I was pointing out that the Cuban quota of some 4 million tons being redistributed to these other countries and that they were getting large bonuses as a result of this.

Now, if Cuba were to throw off the yoke of Castro and become independent, would it not be to our advantage to promise them a restoration of their former quota, or substantially their former quota?

Mr. MANN. It would be to our advantage to resume our position as the principal buyer of Cuban sugar.

Senator DOUGLAS. That would increase our purchases from Cuba. But this would mean a diminution in the quotas now assigned to these other countries.

Mr. MANN. That is correct.

Senator DOUGLAS. And therefore they would lose financially because of this—not merely in sale of tons, but they would also lose the bonuses amounting to well over a hundred million dollars which they now obtain.

Mr. MANN. That is correct, Senator.

Senator DOUGLAS. Well, now, doesn't this give them a vested interest in keeping Castro in power? If Castro is overthrown, they lose financially. As long as Castro is in power, they can get this extra amount per ton, so it is to their advantage to see that Castro is kept in power; isn't that true?

Mr. MANN. I agree with everything except the last phrase, Senator.

Senator DOUGLAS. I said to their financial advantage to keep Castro in power, so far as sugar is concerned.

Mr. MANN. Well, certainly they would presumably lose part of their sugar market in the United States if Castro——

Senator DOUGLAS. And the bonuses which they receive.

Mr. MANN. Yes, sir, they would lose their sugar trade; yes, sir.

Senator DOUGLAS. That is right.

Well, I think you may find that the simple procedure of paying the market price and treating everybody the same, has diplomatic advantages as well as economic advantages.

Now, turning from that—if I read the dispatches correctly, the United Nations on Tuesday voted to invoke sanctions against Southern Rhodesia if it declared its independence of the British Empire; isn't that true?

Mr. MANN. Senator, I assume that that is true. I am sorry to say that I did not read that.

Senator DOUGLAS. Well, I think I saw the vote was 107 to 2. I appeal to the press—if the State Department cannot inform me. Will the press inform me whether that is correct?

Mr. Steele.

Mr. STEELE. The sugar press?

Mr. DOUGLAS. No; the newspaper press. Is this true, gentlemen of the press?

Mr. STEELE. I think so.

Senator DOUGLAS. And the United States was one of the 107 countries which voted to move toward the imposition of sanctions if Southern Rhodesia became independent. And the dispatches from London as of yesterday, including Prime Minister Wilson's very eloquent statement, which you probably saw on television, that England meant to go through with the imposition of sanctions. That was accompanied by statements that the American Embassy in London was firmly supporting Great Britain.

Now, you propose to put in 9,000 tons of sugar from Southern Rhodesia. Mr. Cooley cut it down to 6,000. In this I think he was brighter than you were. And this amounts to a bonus of around \$600,000 to \$700,000 a year.

Now, is this the way you reward a country which is rebelling from our best ally and probably disrupting all the affairs in Africa?

Here we are on the one hand voting for sanctions, and on the other hand we grant rewards.

Mr. MANN. May I answer, sir?

Senator DOUGLAS. Yes. I would like to see you try.

Mr. MANN. This is precisely why we have in the administration proposal a paragraph which reads as follows:

Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph 2(a) of this subsection would be contrary to the national interests of the United States, such quota or part thereof shall be withheld or suspended and such importation shall not be permitted.

It is our interpretation of this paragraph that if the contingent action which you say the United Nations took, and which I am sure they did—I have been out of town, Senator, and not up to date—if this were to occur, and they were to vote sanctions against Southern Rhodesia, the President, if he has this authority, would be able to move very quickly in support of the United Nations resolution.

Senator DOUGLAS. Well, you see, Southern Rhodesia has never had any quota before. In the material published on pages 10 and 11 of the committee print, I find that it never furnished us any sugar. We knew pretty well from the elections in Southern Rhodesia, the election of Mr. Ian Smith, what Southern Rhodesia was likely to do but nevertheless you put them on for 9,000 tons.

Mr. MANN. Well, Senator, while it is true that Rhodesia, like other countries, did not have a country quota prior to 1962, they did share in the global quota, and did sell sugar through this market, which explains why they are there.

Senator DOUGLAS. Now, since you are very high up in the State Department, you certainly know—

Mr. MANN. Not very high, Senator.

Senator DOUGLAS. Yes, very high. You are either No. 3 or No. 4 on the totem pole. I think No. 3. In the language of the English establishment, you are very definitely in and up.

Now, you are certainly aware that General de Gaulle is demanding gold for virtually every short-term claim which he has against the United States. And also, that it is the undoubted policy of France to cause us as much trouble as they can, draw out as much of our gold as they can.

Isn't that true?

Mr. MANN. Yes, sir. Much of French—many French dollars are converted into gold claims.

Senator DOUGLAS. And yet you wanted to give the French West Indies, Guadeloupe and Martinique, 51,000 tons—Mr. Cooley cut it slightly to 43,000. And you have the Malagasy Republic, which is financially dependent upon France, for 7,500 tons. That is a total of 51,000—no, a total of 58,000 tons amounting to well over \$3½ million bonus. This would go into the French banks and the Bank of France under General de Gaulle's orders would ask for gold.

This would make our balance-of-payments problem much worse.

Don't you think you had better take away those assignments to the French West Indies and to the Malagasy Republic?

Mr. MANN. Senator, I will be glad to look into this. I have already said that if the Senate, on balance-of-payments grounds, wishes to say that the French Government is able to take care of its own colonies, certainly this would apply principally to Guadeloupe and Martinique—those are colonies. The other country, the Malagasy Republic, is a Republic.

Senator DOUGLAS. Yes, I know. But it is financially dependent upon France.

Mr. MANN. It is not part of France.

Senator DOUGLAS. It is financially tied to France.

Mr. MANN. And I would question whether we should stop trading with the part of Africa which is included within the associated territories.

Senator DOUGLAS. We are giving \$200 million a year in aid to the French affiliated republics of Africa. So I suppose this would only be half a million dollars more. But I don't think that should be disregarded.

Mr. MANN. The French islands in the Caribbean, I am told, have always exported sugar to this market. They are traditional exporters of sugar to this market. And we have not yet—I imagine the Senator is saying not that he wants to engage in economic warfare with France, but he wants to protect our balance of payments.

Senator DOUGLAS. Yes. Well, France is engaging in economic warfare with us.

Mr. MANN. Well, we still trade with France.

Senator DOUGLAS. Well, I know. But the French are trying to start a run on the Federal Reserve.

Do you think we should not draw any moral distinctions between countries?

Mr. MANN. Senator, I think you open up Pandora's box, as I said, if you depart from trade patterns.

Senator DOUGLAS. This is not merely trade. If it were trade at market price, that would be one thing. But it is trade on advantageous terms yielding a bonus of at least \$50 a ton.

Now, I had always thought that the worst country in the Caribbean was Haiti where leader Papa Doc Duvalier has a murder gang which kills anyone whom he objects to. It is a government of terror and corruption. And at one time we cut off aid, I think, to Haiti, did we not?

Mr. MANN. Yes, sir.

Senator DOUGLAS. Do we give aid to Haiti now?

Mr. MANN. We make no concessional loans to Haiti; no, sir.

Senator DOUGLAS. And we do not make any grants to Haiti, do we?

Mr. MANN. That is correct.

Senator DOUGLAS. Yet here you wanted to give them 19,000 tons, Mr. Cooley gave them 29,000 tons, a bonus of \$50 a ton. Now, I protest. You do not protest.

Mr. MANN. Senator, I am not sure of the figure.

Senator DOUGLAS. Well, it is—

Mr. MANN. On what you call the bonus. I simply note that I do not have those figures in my head.

But may I say this. I view the sugar trade as a part of overall trade.

Senator DOUGLAS. Mr. Mann, it is not quite that. Overall trade would be at market price. But here we are paying a bonus. And the American consumer is footing the bill.

The outdoor worker who has a cup of coffee in the morning to warm him so that he will not be cold, who has to put in a teaspoon of sugar, you are making him pay tribute to all these people overseas—and the poor folks out on the farm, or in the slums and the rest, who drink lots of coffee, are making these payments. The kids who eat nickel candy bars are making these payments.

Mr. MANN. Senator, I think that the only thing we don't agree on, perhaps, is whether in paying what I would consider a price below what other developed nations pay for sugar, we are in effect giving a subsidy or a bonus.

Senator DOUGLAS. Well, so far as the British are concerned, the British figure does include shipping costs. If you include these there is little or no real disparity. The French figure I am not quite certain about. So far as the Russian figure is concerned, I don't think we have to compete with them. And their initial offer to Cuba was $2\frac{3}{4}$ cents a pound instead of the some 4 cents that we were paying at the time—or 6 cents we were paying at the time. Their initial terms were much poorer than ours.

Senator FULBRIGHT. It is barter, entirely.

Senator DOUGLAS. Yes. Now, it is barter in which they give an inflated figure on what they sell. No, I don't think you need say we have to compete with the Soviet Union.

Mr. Mann—

Mr. MANN. Senator, you take sugar or any other basic product, look at the whole area of their exports to us. Prices over the last years have remained fairly stable. And the prices of exports from industrial countries, which they must buy, have gone up and up, and the disparity therefore in their income and ours is growing. Now, I doubt it is wise or in the national interest for us to continue to sell dear and buy cheap. I think everybody is entitled to a fair price, not just our farmers, but the farmers around the world, to the extent that we can do this compatible with our own national interest and our balance-of-payments situation.

Senator DOUGLAS. I am trying to recall—but I would say that we should not assume unlimited responsibility for shoring up the raw material prices of the world.

Mr. MANN. I agree with that.

Senator DOUGLAS. Now, we have differed on the coffee pool, which I think was a mistake. Now we have sugar. Very shortly in all probability we will have cocoa.

I am for assuming some responsibility—and as a concession to short-time fluctuations I am willing to take a 15- or 20-year moving average which will include the high prices of the past as well as the low prices of the present.

I don't know if it is any use for us to continue this discussion because we are on different sides. But the more we talk, Mr. Mann, the more I am convinced that transferring the power to assign quotas from Congress to the State Department would be “jumping from the frying pan into the fire.”

Senator LONG. Senator Fulbright.

Senator DOUGLAS. As between the State Department and Congressman Cooley, I am for Congressman Cooley.

Senator LONG. Senator Fulbright.

Senator FULBRIGHT. Mr. Chairman, could I make an inquiry as to what the intention of the chairman is with regard to the hearings? How late is the chairman going to run?

Senator LONG. We will certainly hear the Senator. You are in charge.

Senator FULBRIGHT. No; I meant not just me. I am referring to the hearing as a whole.

Senator LONG. I hope we can hear at least one more witness. We have been sitting here since 10 o'clock this morning. The Senators worked over the first witness from 10 o'clock until about 2:30 or 3. Then we worked over Mr. Mann from then until 5:20. Now, I am perfectly content to listen to the Senator's questions and the answers.

Senator FULBRIGHT. I wasn't complaining. I was merely making inquiry what the chairman's intention is. Is he going to run to 6, 7, 8, 9 o'clock? I thought it was a fair question.

Senator LONG. Why don't we just go on for a while. I hope we will conclude with this witness, Mr. Chairman. I hope we will get through with one witness—at least with the two witnesses today. We have a whole list of them we hope to hear.

Senator FULBRIGHT. I will cooperate and won't ask him any questions. I only want to know what the plan is.

Senator LONG. We are going to go on for a while.

Senator FULBRIGHT. Well, that is all I wanted to know. Are you going to have a hearing tomorrow?

Senator LONG. Well, if we don't get through today, I would say "yes."

Senator WILLIAMS. I would suggest we make an agreement.

Senator LONG. I am not going to entertain any motion. The Senator is in charge. Go ahead and ask your questions.

Senator FULBRIGHT. I don't care to ask any more questions.

Senator LONG. Senator Hartke.

Senator HARTKE. Go ahead, Senator Williams.

Senator WILLIAMS. Yes. I have some more questions. And I am not in such a big hurry as some of the rest.

Mr. Mann, one of the persuasive arguments you have made in connection with these foreign quotas has been the fact that many of these countries came to the rescue of the United States, as you put it, when the world market price for sugar was higher.

Now, that took place in the years 1963 and 1964, is that correct?

Mr. MANN. That is correct.

Senator WILLIAMS. Now, will you furnish for the record a list of the sugar that was procured offshore during those 2 years, broken down by countries, along with an itemized breakdown of the savings to our country as a result of those purchases during those 2 years? In other words, as compared with what it would have been if we had paid the world market price, or do you happen to have such figures with you?

I don't think it would be hard to get.

Mr. MANN. I understand that Agriculture has the total figures, but not broken down country by country.

Senator WILLIAMS. Well, could you give me the total?

Mr. MURPHY. Yes, Senator. U.S. price was below the world price for about 16 months, from February 1963 to June 1964. I would say the imports during the period were about 5 million tons. Our price on an average was a cent and a half a pound below the world price. That is \$30 a ton, or a total of \$150 million.

Senator WILLIAMS. But you do have the figures in order to arrive at the total?

Mr. MURPHY. We will furnish you with the figures.

(The following information was subsequently submitted:)

*Losses by foreign suppliers to the United States during 1963 and 1964 when world market price exceeded U.S. price for sugar (assuming all sugar sold at average price sacrifice during period, actually some was sold more advantageously and some much less so*¹

[Dollars in thousands]

Country	Quantity imported February 1963 through May 1964 (short tons raw value)	Total amount of loss during period
Argentina.....	234,299	\$6,841
Australia.....	184,603	5,390
Belgium.....	7,462	218
Brazil.....	464,978	13,577
British Honduras.....	5,195	152
British West Indies.....	171,712	5,014
China, Republic of.....	118,383	3,457
Colombia.....	45,030	1,315
Costa Rica.....	56,820	1,659
Dominican Republic.....	719,937	21,022
Ecuador.....	51,089	1,492
El Salvador.....	25,408	742
Fiji Islands.....	48,565	1,481
France.....	23,242	679
French West Indies.....	109,416	3,195
Guatemala.....	69,858	2,040
Haiti.....	38,989	1,138
India.....	155,506	4,541
Ireland.....	9,973	291
Malagasy Republic.....	0	0
Mauritius.....	66,605	1,945
Mexico.....	650,442	18,993
Nicaragua.....	55,852	1,631
Panama.....	24,519	716
Peru.....	430,435	12,569
Reunion.....	9,893	289
South Africa.....	135,088	3,944
Southern Rhodesia.....	10,589	309
Turkey.....	6,578	192
Venezuela.....	11,907	348
Subtotal.....	3,942,373	115,117
Philippines.....	1,486,711	43,412
Total.....	5,429,084	158,529

¹ Average per ton differential between world price and U.S. price for period February 1963 through May 1964, \$29.20.

Mr. MANN. This is something I think Agriculture could do better than we.

Senator WILLIAMS. That is all right. I just did not think of it when you were there.

I would like to have that broken down by countries so that we can look it over and see just what we received in benefits from each of the respective countries involved. We can then evaluate better what weight should be put to it. The point that disturbs me is we are

paying a difference, as I see it, based on the world market today of around 3 cents a pound premium, is that right?

Mr. MURPHY. At the present time it is a little over that.

Senator WILLIAMS. And we import how much annually—3½ to 4 million tons?

Mr. MURPHY. From the Philippines, we take it under treaty, but aside from that the imports from foreign countries would be 2½ million tons.

Senator WILLIAMS. That is under this quota?

Mr. MURPHY. Yes, sir.

Senator WILLIAMS. Well, now, to get back to my other question. I was speaking only of those quota countries—those countries that are affected here under the quota, because they are the only ones we are dealing with. And your \$150 million includes all; is that not true?

Mr. MURPHY. Includes all of our sugar import.

Senator WILLIAMS. Well, they are not affected by this bill. What I would like to have is just how much you would have paid—we will use the various countries, Argentina, Mexico, or any of the other countries—extra from what we did pay had we bought it at the world markets during those 2 years. What I want is the exact figure because as I run it over roughly here we paid between \$60 and \$75 million to these quota countries, and yet under this bill the extra premium will run around \$210 million a year. I am just wondering—I think as a country we should appreciate what they did, but I don't want to appreciate it too much. For \$60 million savings in one period I am wondering if on a 5-year bill we can afford to pay out what I roughly figure here is around \$200 million a year extra premium for these quota countries. We are paying back about a billion dollars to those countries for having saved us \$60 or \$75 million.

Mr. MURPHY. Senator, we will be glad to get the figures. May I just say, though, I would not assume that the world market price would be as low as it is now for 5 years.

Senator WILLIAMS. I appreciate that. I think that is true.

Mr. MURPHY. I also think that all of the imports that we got during that period were subject to savings.

Senator WILLIAMS. They would be subject to savings, but they would not be affected by the bill. What you save paid in premium to a country not included in this quota should not be charged against them.

That is the reason I am asking you to break it down by countries with specific reference to those countries who get quotas whether under the House bill or under our bill.

Mr. MURPHY. Yes.

Senator WILLIAMS. When we find out how much we owe them in past gratitude, we can then figure out how much we are paying them in the future or how much of it is generosity.

Mr. MURPHY. We will do that, sir.

Mr. MANN. Senator, may I say one thing that I said earlier.

I do not think you were here at the time. We were talking about why we selected the base period 1963 and 1964, and we were explaining that we selected those years because, at the time of our need, we promised these countries we would take into account what they had done.

But the real question before this committee is not just that one—it is a question of whether we want a two-price system—because our farmers, for example, not only get our price, minus the tariff and minus the insurance, but they also get a very large subsidy.

Now, the question, I think, is a political moral question of whether you want to widen that gap, always taking care of our own farmers, but letting the other farmers whose incomes are much lower than ours, much lower, shift for themselves—and whether this kind of a policy is compatible overall with the national interests.

Now, this is the real question that I think we ought to face up to.

Senator WILLIAMS. Well, I agree with you that there are other factors. In your statement you pointed that out.

Mr. MANN. Yes, sir.

Senator WILLIAMS. But the reason I ask for these figures—we can understand it better if we have it reduced to figures, and we can perhaps come up with some answers ourselves as to how much weight should be added to those particular points. There is a difference of opinion at least between the House and the administration, and there may be a difference of opinion in the Senate as to how much weight that should have. That is the reason I was asking for the information.

Mr. MANN. Yes, sir.

Senator WILLIAMS. Now, if I recall correctly you endorsed the quota in the bill for Jamaica; is that correct?

Mr. MANN. Yes, sir.

Senator WILLIAMS. Have they been supplying any sugar?

Mr. MANN. Yes, sir; they are a traditional supplier. They come under the category of British West Indies. They are now independent. But in our tables they historically fall under the other classification.

Senator WILLIAMS. I see.

Now, I think—I am not sure you were asked—there is a suggestion of a provision in the House bill for a quota for the Bahamas.

Mr. MANN. Excuse me, sir.

Senator WILLIAMS. What is the position of the State Department in connection with the quota for the Bahamas?

Mr. MANN. To the Bahamas? They were not traditional suppliers.

Senator LONG. The House bill gave them 10,000 tons.

Mr. MANN. I will say again——

Senator LONG. Our bill gives them nothing.

Mr. MANN. We believe that we ought to do this according to traditional patterns of trade, and we ought to make our political judgments, not on the basis that we are considering here now, but independently of this. And the President should then cut, if he wants to. Inasmuch as the Bahamas had not exported sugar to us before, we did not include them in the administration formula.

Senator WILLIAMS. I thank you. That is all I have.

Senator LONG. I would like to take my turn just a moment.

There was something said here about the fact that Haiti had a quota. As I recall it——

Senator DOUGLAS. I said that.

Senator LONG. Well, I thought something was said about some government in Latin America—perhaps Haiti.

Now, for a number of years I sat here and heard people say that the Dominican Republic had a quota and we ought to cut off the Do-

minican quota, get rid of Trujillo. We got rid of him all right. Can you give me any assurance we are going to win that election between freedom and the Communists down there in the Dominican Republic?

Mr. MANN. I can give you a hope—not a guarantee.

Senator LONG. We are hopeful. But we don't have any assurance at all.

I recall somebody wanted to get rid of Batista. We got rid of Batista. What have we got—Castro. A great move toward liberal government.

Now, someone suggested that we better take a good look at Rhodesia. You have the power in the bill I introduced to cut off Rhodesia if you need to. As I understand it, where all that controversy gets at it is that they are having some difficulty with this racial integration problem. Frankly on that basis I guess you would have to cut Louisiana and Florida out of this bill.

I read in the paper the other day that they had to send a commissioner up to Chicago, Ill., where they had some of the most liberal leadership in the whole country, and cut off the money for education. So I suppose if they had a few sugarbeets, you would have to take Illinois out of the bill, because they are having some difficulty integrating the races according to Washington standards.

Then it has been said that the outdoor worker, he might save a penny a pound on sugar. We have a bill here to pay him \$1.75.

Now, the way I figure that out, if he would just get out of his rocking chair for an hour he makes enough to buy 25 pounds of sugar. How long would that last him?

Mr. MANN. Quite a while, sir.

Senator LONG. If I do say it, I bought 5 pounds of sugar this year, and I am still trying to stay off that sugar. My guess is that that fellow might be confronted with the same problem.

This country is worried more about being overweight than not having enough to eat.

How much did we appropriate for the poverty program—in case we can find somebody that needs it.

Mr. MANN. I don't remember.

Senator LONG. The last time I recalled we doubled up on it. It is a large amount of money. It is well over a billion dollars.

Senator WILLIAMS. \$1.6 billion.

Senator LONG. Senator Williams says 1.6 billion. Do you know of anybody that is really starving in this country right now, Mr. Mann?

Mr. MANN. I don't personally know of anyone, no, sir.

Senator LONG. If you do, let me know and we will make him a contribution.

Senator WILLIAMS. I want to thank the chairman for a good Republican speech in criticizing the administration.

Senator LONG. Senator Fulbright?

Senator FULBRIGHT. I have one other question.

Mr. Mann, you spoke of the British and the French. Did they buy all of their sugar at one price, or did they have different prices according to the origin of the sugar?

Mr. MANN. My understanding is that the French have a one-price system.

Senator FULBRIGHT. Whether it is a territory, a former territory or not?

Mr. MANN. That is my understanding.

Senator FULBRIGHT. The same with the British?

Mr. MANN. No, the British I understand buy about four-fifths of theirs at a protected price, and they buy about one-fifth, I am told, at the world price.

Senator FULBRIGHT. They don't have the principle of nondiscrimination. They don't pay everybody the same, in other words.

Mr. MANN. Apparently not.

Senator FULBRIGHT. That is all.

Senator McCARTHY. Mr. Chairman, I just have one question here. I note from the House report that the State Department and the Department of Agriculture obtained concurrence of the House Committee on Agriculture in sending communications promising countries special consideration. Why did you not seek the concurrence of the Finance Committee of the Senate?

Mr. MANN. Senator, the reason I didn't is because I was in Mexico at the time.

Senator McCARTHY. I am talking about the State Department now.

Mr. MANN. That I don't know, Senator.

Senator McCARTHY. It looks to me like discrimination against the Senate. According to this you went to the House Agriculture Committee and asked their concurrence. I checked with the staff here and they tell me you did not even seek our concurrence.

Mr. MANN. Senator, I am not your best witness on this. I am the most ignorant. I just don't know.

Senator McCARTHY. I don't want to press it.

Does the Department of Agriculture have an answer to that question?

Senator WILLIAMS. He just expressed such tremendous confidence in the Senate.

Senator LONG. Mr. Mann, if you can find the answer overnight, would you mind sending it up here?

Senator McCARTHY. I would like the answer from the Department of Agriculture if they have an answer because we feel left out here. I used to serve on that committee in the House.

(Subsequently the Department of State furnished the information as follows:)

DEPARTMENT OF STATE,
Washington, October 15, 1965.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: Senator McCarthy asked Mr. Mann when he testified before the Senate Finance Committee on October 14 to furnish an explanation of why the Department had not sought the concurrence of the Senate Finance Committee as well as the House Committee on Agriculture regarding commitments which might be made to foreign countries as to their future sugar quotas if they supplied sugar to the United States in the years 1963 and 1964 when world prices were higher than U.S. prices.

The records of the Department of State do not show that it consulted any committee of the House or the Senate in this connection.

Sincerely yours,

DOUGLAS MACARTHUR II,
Assistant Secretary for Congressional Relations.

I have nothing further.

Senator LONG. If you can find the answer, please provide it for tomorrow. Thank you, Mr. Mann.

I place in the record a statement by Senator Thruston B. Morton, a member of the committee, who is necessarily absent on official business.

(The statement of Senator Morton follows:)

STATEMENT OF THE HONORABLE THRUSTON B. MORTON, A U.S. SENATOR FROM THE
STATE OF KENTUCKY

Little more than 4 years have passed since this administration created the much-vaunted Alliance for Progress. Throughout that period, in its public statements the administration has treated the Alliance nations as favorite children. But more often than not, in its public actions the administration has treated them as orphans.

The Alliance for Progress is rapidly becoming a string of broken promises.

Recently, the administration established a new record for breaking the promises it has made to our Alliance partners by breaking one within 24 hours.

On August 17, 1965, the President, speaking on the fourth anniversary of the establishment of the Alliance, promised that the United States would "maintain a regularly expanding market for sugar produced by Latin America." The following day he transmitted to Congress the proposed 1965 Sugar Act which would do just the opposite.

It would reduce the Alliance for Progress nations' share of the foreign sugar quota from 77.8 percent in the 1962 act to 63.8 percent. This means a reduction of over 600,000 tons per year in sugar exports by Alliance nations to the United States.

Even if this reduction represented a net savings to the United States, one would wonder whether the administration was justified in breaking its promise. But the reduction does not represent a savings. Far from it. The very same bill proposes to reallocate much of the sugar trade the Alliance nations would lose to protectorates of France, which at this very moment is trying to aggravate our balance-of-payments problem and scarcely needs to be handed even more dollars, or to British Commonwealth nations which enjoy preferential treatment in sugar exports to Britain and cannot pretend that they need the trade bonus offered by the administration.

Whatever may be said about the administration's aid program, one thing is clear beyond argument. When the United States has an opportunity, without cost to itself, to provide much needed trade opportunities to the underdeveloped countries of Latin America, it should not take these opportunities away from Latin America and give them to countries that are under the wing of Britain or France. To do so makes a mockery of the Alliance.

The administration's bill is the result of the administration using a computer, rather than its head or its heart, to allocate foreign sugar quotas. The quotas are the product of a proposal by the Department of Agriculture—to which the President appears to have assigned major foreign policy responsibilities that might just as rationally be assigned to the Post Office Department—that foreign sugar allocations be based on 1963-64 sugar shipments to the United States.

These were years of utter chaos in our sugar program, aptly described by the House Committee on Agriculture as the "two most unusual and abnormal years in the history of the U.S. sugar program." While I am no expert in the use of computers, it seems reasonable to presume that if you feed abnormal data into a computer you obtain an abnormal formula. That, to put it mildly, describes the administration's formula.

Furthermore, the concept of the administration's bill that nations should be rewarded or punished for their willingness or lack of willingness to export sugar to the United States in 1964, when our price was lower than the world price, ignores the fact that these rewards and punishments have already been meted out. Sugar quotas in 1965 have been based on 1964 performance. South Africa, for example has made twice as much on sugar exports to the United States this year as it lost in 1964. Other countries have earned similarly disproportionate rewards.

And the Latin American nations which the administration would punish have already been punished. Many of these nations have had substantially reduced

quotas in 1965 and are faced with rising unemployment in their sugar industries. We have a stake in helping these countries hold the line against communism and one wonders whether the Department of Agriculture, by taking action designed to increase unemployment in Latin America and thus strengthening the hands of the Communists, is punishing just Latin America or the United States as well.

Indeed, one wonders whether the various departments ever consult each other in this administration. Not long ago Secretary of State Rusk observed that the 1964 world sugar crisis played a major part in the Dominican uprising. Yet the Department of Agriculture proposes to perpetuate that crisis and spread it through Latin America.

The sugar bill passed by the House would allocate to the Alliance for Progress nations 100,000 more tons of sugar annually than would the administration's bill. It is therefore an improvement over the administration's bill but one which lacks any consistent logic. In several instances, quotas are apparently allocated by whim rather than on the basis of any consistent rationale.

I propose an amendment to the House bill that gives the Congress the opportunity to make good on the administration's August 17, 1965, promise. I propose the amendment with the firm belief that we indeed should make good on that promise. And I submit that the allocation of foreign quotas in my amendment has logic to commend it as the House bill has not.

My amendment would not change the domestic industry quotas proposed by the administration and included in the House bill. It also leaves unchanged the Philippine quota established in the House bill. For other foreign quotas it substitutes a formula based on the 1962 Sugar Act.

The quotas established in the 1962 act reflected historic sugar shipments. They were, by and large, fair quotas. To the extent there is any discernible thread in the history of sugar shipments since 1962, it is a thread spun by the 1962 act. In short, as the House Committee on Agriculture suggested, 1962 sugar quotas provide the only reasonable basis for assigning quotas in 1965.

With a few exceptions my amendment is based on the assignment to each country of its 1962 quota percentage. In addition, the amendment adopts the House proposal that the Cuban quota be reduced from 57.77 to 44.25 percent. That change makes sense for it would reduce somewhat the disparity between the quota available for Cuba when it again becomes a friendly nation and the quotas for the rest of Latin America. But where the House bill distributes these 13 percentage points harum-scarum, my amendment would reallocate them to the Alliance for Progress nations based solely on their relative quotas in the 1962 act. There is no reason why the 13 points shaved from Cuba's quota should be given to nations outside the Western Hemisphere, particularly since most of the non-Western Hemisphere countries listed in the House bill have preferential markets other than the United States. Nor is there any reason to allocate any of the 13 Cuban points to non-Alliance countries in the Western Hemisphere, every one of which can sell sugar to Britain or France at a price virtually equal to the U.S. price. And there is every reason why the 13 Cuban points should be given to our Alliance partners as my amendment would do. In sum, my amendment would allocate over 300,000 more tons of sugar annually to the Alliance nations than would the administration's bill and 175,000 more tons than the House bill.

The only exceptions to reliance on the 1962 act in the amendment I have introduced are the allocation of quotas to countries which were not in the 1962 act but have developed a record of sugar exports to the United States since that date and were included in the administration's bill: Venezuela, Argentina, Mauritius, Switzerland, Southern Rhodesia, and Malagasy. For the first two countries I have proposed the quota percentages contained in the administration's bill; for the last four I have used the percentages in the House bill which are practically the same as those in the administration's bill. Furthermore, in recognition of the increased importance of Bolivia and Honduras in Latin America, and of Thailand in southeast Asia, my amendment would allocate to these countries the yearly quotas allocated to them under the House bill, even though these countries have not previously exported sugar to the United States.

This country has a deep and permanent stake in the Alliance for Progress. Many of the Alliance nations have developed democratic governments and free enterprise economies in the face of stiff and growing Communist opposition.

We have an opportunity in the 1965 Sugar Act to assist those countries. Our alternative is to assist those who do not need our help. Furthermore, in this act we can render assistance to the Alliance nations without additional cost to

ourselves. I fear that if we do not seize upon this opportunity we will pay dearly in the years ahead.

Senator LONG. I place in the record a letter which the chairman has received from the Honorable Milward L. Simpson, U.S. Senator from Wyoming.

(The letter follows:)

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
October 15, 1965.

HON. HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I am greatly concerned and anxious that the Senate act upon H.R. 11135, the House-passed "sugar bill." As a cosponsor of the sugar bill that was introduced in the Senate, I have taken a special interest in seeing that domestic producers' quotas are increased so that we can make the proper allowances for those faithful farmers, across our land, who have done all they can to increase their production to meet the growing demands for sugar. When several of our foreign suppliers failed to meet our demands, the Government asked our beet sugar industry to increase its production. Our Wyoming sugarbeet growers, who produce some of the finest sugar in the Nation, responded to the requests of our Government officials and increased their production in 1963 some 42 percent over 1962 levels. This increase amounted to nearly 700,000 hundredweight of refined sugar. This additional production could only come about with additional capital outlays for equipment, machinery, and other expenditures on the part of our beet farmers in Wyoming and, of course, across the Nation.

Unless this legislation, which would increase the beet sugar marketing quota, is passed, our Wyoming beet growers will be required to take a 13-percent cut in acreage this year and further reductions in following years. Mr. Chairman, it is important that we permit our own farmers to produce a sugar supply which can be depended upon by our American consumers at all times.

It is my understanding that there are hundreds of thousands of tons of refined sugar which have been produced by American farmers that under present law cannot be marketed. It is important that we permit this sugar to be marketed before we allow the foreign suppliers to fill the quotas.

Because sugarbeets are extremely important to the economy of Wyoming and the Nation, I urge you and the committee to report the bill, S. 2567, as introduced.

Warmest personal regards.

Sincerely,

MILWARD L. SIMPSON, U.S. Senator.

Senator LONG. I place in the record a letter from Senator Quentin N. Burdick advocating the adoption of an amendment to authorize the Secretary of Agriculture to redistribute unused domestic beet sugar acres resulting from closed plants to new areas. The committee will give consideration to Senator Burdick's proposed amendment.

(The letter and amendment follow:)

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
October 14, 1965.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed for your consideration is an amendment that I propose to the sugar legislation now pending before your committee.

The amendment I offer will, if adopted, fill a need not now provided for in the pending sugar legislation. It proposes to authorize the Secretary of Agriculture to redistribute unused domestic beetsugar acres resulting from closed plants to new acres. The amendment would limit the Secretary's authority to do so until such time as the amount of unused acres reaches 50,000 or more short tons of beet sugar. In other words, the pool could not be distributed until it reached 50,000 or more short tons and the total national acreage requirement was not less than 1,375,000 acres. The Secretary would, however, during this period be

permitted to allocate these unused acres to old growers until such time as the pool reached its prescribed level.

Mr. Chairman, I respectfully urge your consideration of the enclosed amendment.

Sincerely,

QUENTIN N. BURDICK.

On page 27 after line 7 insert the following :

“(6) Subsection (b) is amended by adding a new paragraph (10) as follows :

“(10) In the event any plant or factory that processed the 1964 crop of sugarbeets ceases processing sugarbeets or any crop thereafter, the Secretary is authorized to determine the total acres of production history for farms or farm operators relating to acreage of the sugarbeet crop delivered to and last processed by such plant or factory, and which was not used for sugarbeet production of the immediately following crop. Whenever the Secretary estimates that the total accumulated acreage of production history so determined by him in regard to all such plants or factories and translated into acres of proportionate shares under current or most recent regulations for establishing farm proportionate shares, would produce 50,000 short tons of sugar, raw value, he shall reserve such estimated total amount of acreage from each of the national sugarbeet acreage requirements for each of three successive crops: *Provided*, That the national sugarbeet acreage requirement for the first such crop is not less than 1,375,000 acres. The Secretary shall distribute the acreage so reserved for each of such three successive crops on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocation for establishing farm proportionate shares determined by him, on condition that the sugarbeets produced on such farms shall be delivered for each of such three consecutive crop years to the new processing facility in the locality to which reserve acreage is committed as hereafter provided. The Secretary shall commit the acreage so reserved estimated by him to yield 50,000 tons of sugar, raw value, for each of the three consecutive crop years to the locality determined by him to receive the reserve, and such commitment shall be irrevocable upon issuance of the determination of such commitment by publication in the Federal Register, except that if the Secretary finds in any case that construction of the sugarbeet processing facility has not proceeded in substantial accordance with the representations made to him as a basis for his determination of commitment of the reserve acreage, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining commitment of the reserve acreage and if proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year or succeeding years, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the lack of proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets and the relative qualifications of localities under such criteria. The commitment of reserve acreage shall be determined by the Secretary after investigation, the publication of notice, and such informal public hearings, if any, as the Secretary deems appropriate under the prevailing circumstances.”

Senator LONG. We are pleased to have the distinguished chairman of the Senate Agriculture Committee, Senator Allen J. Ellender, as our next witness.

STATEMENT OF HON. ALLEN J. ELLENDER, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator ELLENDER. I was pleased to learn that, as in the past, all segments of our sugar industry were able to adjust most of their differences and present a united front in their advocacy of new sugar legislation. It would be very difficult, if not impossible, for the Congress to draft equitable legislation unless the representatives of our domestic sugar industry came into substantial agreement among themselves.

I note that the members of the House Committee on Agriculture, in their report accompanying H.R. 11135, expressed their appreciation

for the efforts made within our sugar industry to reach an almost unanimous opinion. I am well aware of the difficult negotiations that have been in progress over many months in the past between the representatives of the industry, and the Departments of Agriculture, State, and to some extent, the Treasury. The resulting recommendations and legislation represent a compromise, but a workable one. It is my hope and expectation that the Sugar Act Amendments of 1965 will prove beneficial to our housewives and industrial users, our planters of both beet and cane, our processors and refiners, and our friends abroad.

The question of our foreign suppliers represents the most controversial issue in the legislation now before us. This is something of a left-handed compliment to the efforts of the many conflicting domestic interests to come into agreement, and to the successful workings of the Sugar Act since its inception in 1934. If I have one main criticism of the legislation now before us, it is that no firm and final formula is contained in the bill which would place the question of foreign quota allocations on a realistic basis. It seems to me that if such a provision could be agreed upon by the Congress, it would have the effect of silencing much of the emotional and sometimes irrational criticism which this issue evokes from time to time.

As a Senator from Louisiana, I represent in part the largest cane producing area in the continental United States. Louisiana's Third Congressional District has rightly been called the Nation's sugar bowl, and my home town of Houma, in Terrebonne Parish, is located not far from the center of the area's heaviest production. I know full well how important the Nation's sugar supply is to my friends and neighbors at home, for I remember the conditions that prevailed before the first Sugar Act was placed on the statute books in 1934. As a consequence of our ill-advised policy prior to that time, our cane producers were in an untenable position of not knowing what markets and conditions would be from one year to the next. In fact, that condition prevailed throughout the entire domestic industry. There was no economic security for the growers, the refiners, or the thousands of workers in the fields and mills.

Our experiences since then provide ample justification for an extension of the Sugar Act. This is not to say that all our difficulties have been completely solved, for that is by no means the case. But an adequate and dependable supply of sugar has been provided our consumers at a reasonable cost. The situations we experienced during World Wars I and II present a graphic illustration of this case. During the First World War, the price of sugar skyrocketed, but through the second period of conflict prices remained at reasonable levels. Other Government policies may have helped maintain this stable condition, but the fact is that on several occasions since 1945, sugar prices have increased exorbitantly in other countries of the world while remaining stable here under the protection of the Sugar Act.

Turning to the pending bill's particulars, I am greatly interested in the quota it contains for our domestic sugar producers. As one of the sponsors of similar legislation in the Senate, together with Senator Long of Louisiana and a number of other Senators, I believe that the domestic quotas provided are well justified. As a matter of fact, I believe these quotas might be further increased.

H.R. 11135 contains increases in quotas for both the domestic beet sugar area and the mainland cane producers. Those increases have been recommended by the domestic sugar groups and by the executive branch. It is of utmost importance that the Congress grant these quota increases this year. Both areas have substantial carryovers of sugar which were accumulated as a result of an expansion of acreage and processing facilities, encouraged by the executive branch at a time of worldwide scarcity of sugar. The increases in quota were needed last year but were not granted, and are needed even more now.

The proposed increases are modest in comparison with the need. For example, the 1,100,000-ton quota proposed for the mainland cane sugar area is less than that area's production of sugar in 1963, less than the production in 1964 and less than the anticipated production from the 1965 crop. The proposed quota will not allow an expansion of acreage or processing facilities, but on the contrary, it is possible that a further acreage reduction will have to be made during the life of this legislation. The mainland cane area has already made a 14-percent acreage reduction this year as compared to last year. The quota proposed for the beet area will not allow an acreage increase and that area, too, has already made an acreage reduction and faces further reduction next year.

Although I believe the question of quota increases has been worked out more or less satisfactorily and represents a reasonable compromise, I am particularly concerned about some of the other provisions of H.R. 11135 as passed by the House. One of these provisions would establish allotment and acreage reserves to take care of hardship cases. The Secretary of Agriculture now has adequate authority to take care of hardship cases. The language in H.R. 11135 singles out certain corporations for special treatment, and in my opinion would actually prevent the Secretary from making a fair distribution of allotment and acreage. I strongly recommend that all of the language pertaining to the reserves be deleted by the Senate.

Another provision of H.R. 11135 makes provision for a new sugarcane processing facility. In my opinion, the restrictions under which the established sugarcane processors will have to operate during the life of the act makes it unwise to make special provisions for a new processing facility which is obviously not needed.

The House deleted from the administration-backed bill which was introduced in the House the language which would specifically authorize the Secretary of Agriculture to establish quarterly quotas in the first half of each calendar year. I strongly recommend that this committee include such language in the bill it will report. This, in my opinion, is necessary to assure stable sugar prices in the first half of the year.

I express the hope that the bill will be reported for Senate action without delay. Congress should not adjourn until satisfactory sugar legislation is enacted.

Senator LONG. Thank you for giving this committee the benefit of your opinion of this legislation.

We are happy to have as our next witness, the Honorable Stuart Symington, Senator from the State of Missouri.

STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM
THE STATE OF MISSOURI

Senator SYMINGTON. Mr. Chairman, the domestic cane and beet sugar industries will not supply the approximately 10 million tons of sugar the United States will consume this year.

Under the terms of an industry-Government agreement, arrived at this summer, a ceiling of 3,025,000 tons annually has been placed on mainland beet sugar marketings; and one of 1,100,000 tons annually on mainland cane. Both agreements were for 5 years.

No new cane or beet sugar growers will be admitted to the U.S. domestic sugar industry.

No new beet sugar mills will be built for half a decade.

Any farmer who has never grown but who desires to grow sugar-beets instead of corn or soybeans will now have to wait at least 5 years, because the U.S. sugar industry—refineries, processors, and producers—have all agreed to certain annual production ceilings.

Even if the Congress now refuses to ratify this agreement, there is little reason to believe that the domestic industry, with the influence around of the major refineries, is in a position to build new mills in new production areas.

Until 1970 at the least, therefore, it looks as if American sugar suppliers will be assigned to the following sources: Domestic beet sugar, 30 percent; mainland cane sugar, 11 percent; Hawaii, 11.1 percent; Puerto Rico, 11.4 percent; Virgin Islands, .0015 percent; Philippines, 11 percent; and other foreign sources, 25.35 percent.

Actual deliveries are bound to deviate from these assigned percentages because in recent years Puerto Rico, Hawaii, and the Virgin Islands have been producing some 1,900,000 tons per year instead of their assigned 2,260,000 tons. Realistically, therefore, we will probably be importing about 40 percent—or some 4 million tons—of our total sugar requirements from the Philippines and other foreign exporters.

And it is with respect to this 40 percent that I present these few remarks today.

Four million tons of sugar is a lot of sugar; and when it is bought at American refinery prices, it is also a lot of dollars—almost \$450 million. This is the amount of dollars—or gold—which will leave the United States and be placed abroad, primarily in foreign central banks, every 12 months for 5 years.

Is it not important, therefore, for us to consider carefully where we purchase these 4 million tons so that we assure American consumers a steady inflow of sugar, but do not burden ourselves with a steady outflow of gold?

If these dollar purchases of sugar are to be allocated by statutory quotas to specific countries, one of the primary criteria in selecting each country should be: How many dollars will the country in question spend for U.S. goods and services in return? Otherwise, if we are not prudent, we will be building into our imports, by act of Congress, a further serious imbalance with respect to our already serious balance-of-payments problem.

The administration took this problem into account when they formulated their 1965 sugar bill proposal. After allocating 1,050,000

tons to the Philippines in accordance with our treaty with that country, each foreign applicant was measured primarily on the factual answers to the following questions:

1. Are you an established and reliable sugar-exporting country?
2. Did you supply sugar to the United States during the worldwide sugar shortage of 1963 and 1964 in accordance with your capacity to supply and your existing U.S. quota?
3. Are you a good customer for U.S. goods and services?

These are three fundamental criteria which give the current sugar quota recommendations of the administration a sound foundation, one which should not be taken lightly by the Congress.

Nevertheless, we are now presented with a bill, H.R. 11135, to amend and extend the provisions of the Sugar Act of 1948. This latter bill completely ignores the recommendations of the administration.

I have the utmost respect for the distinguished committee which drafted this bill, but it is clear that if we are to allocate sugar imports on sound criteria, the quotas proposed by the administration serve the needs and purposes of the people of the United States far better than do the quotas in H.R. 11135.

As but one example, the administration would give market preference to Western Hemisphere countries, but distribute the quotas within the hemisphere so as to give in turn special consideration to (1) countries which made a real effort to supply the United States during the worldwide sugar shortage; and (2) countries which buy more goods and services from the United States than the United States buys from them.

H.R. 11135, however, reshuffled the quotas for Western Hemisphere exporters as recommended by the administration. In doing so, the bill provides more for 14 countries and less for 6 countries. Of the 14 which obtain increases, 6 have a balance-of-trade picture unfavorable to the United States—including 2 which have a most unfavorable balance: \$148 million in 1 case, and \$360 million in the other.

Of the six countries which get less than the administration's recommendation, five have a balance-of-trade picture favorable to the United States (the sixth is the Dominican Republic); and two of the countries whose quotas were reduced—Mexico and Argentina—have trade balances very favorable to the United States: \$419 million and \$150 million, in dollar trade, respectively.

Nor does H.R. 11135 confine its quota reshuffling to the Western Hemisphere countries. The bill provides lower quotas, totaling some 160,000 tons less than those recommended by the administration, for 12 countries outside the Western Hemisphere; and at the same time adds some 20,000 tons for a new supplier, a country which has never sold a pound of sugar to the United States before—Thailand.

These 12 countries whose quotas were reduced so drastically have historically bought more goods and services from the United States than we have bought from them, individually and collectively. One is Australia, a nation which buys $2\frac{1}{2}$ times as much from the United States as we buy from them—and, as we know, Australia is fighting side by side with us in Vietnam.

Furthermore, 10 of these 12 countries outside the Western Hemisphere supplied sugar to us far in excess of their statutory quota commitments during the shortage of 1963 and 1964. But H.R. 11135 would give them the dubious reward of drastically reduced quotas.

Frankly, I am at a total loss as to how these quotas in H.R. 11135 were determined. They are not based on performance, or a country's proved ability to supply; and emphatically they are not based on trade balances, because certain countries which are already draining off the gold that is becoming ever more important to the security and prosperity of the United States have nevertheless been given larger quotas than the administration recommended, while countries which are buying more from the United States than we buy from them are given lesser quotas.

Mr. Chairman, it is clear this bill—H.R. 11135—should be corrected. I believe, in all fairness, that the Senate should substitute the administration's recommended quotas for the quotas provided by the other body, because the administration quotas are well reasoned and based on sound criteria. The administration has carefully weighed the influence this legislation will have on sugar supplies, and our relations with other countries, and the impact on our balance of payments.

We will all agree that one of the first objectives is to protect the American housewife from sugar rationing and high-priced sugar. This the administration bill accomplishes by dispersing our sources of supply among many reliable sugar exporting countries, so that, if and when supplies from one supplier are interrupted by subversion, sabotage, or invasion of a particular country, there will be other suppliers to fill the breach and keep sugar flowing to the United States.

Another objective is to rely on those suppliers who have proved, under emergency conditions, that they would make a special effort to supply the U.S. market. This objective is met by the administration bill, which bases quotas on past performance when exporters could have made far more money by selling to markets other than the United States.

H.R. 11135, however, lends no weight to performance during these shortage years.

A third objective should be to buy sugar from countries which have historically bought and are now buying more goods and services from us than we buy from them. This the administration bill does. This H.R. 11135 does not.

Therefore, Mr. Chairman, based on the foregoing facts, I respectfully urge my colleagues to substitute the administration bill for H.R. 11135, and to insist in conference on the Senate position.

Senator LONG. Thank you very much, Senator Symington.

We welcome as our next witness, the Honorable Milton R. Young, Senator from the State of North Dakota.

STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator YOUNG. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you in support of legislation extending the Sugar Act.

I am most pleased that the Senate now has before it a bill which would authorize a 5-year extension of the Sugar Act. The task of rewriting and extending sugar legislation would have been far less difficult if the Department of Agriculture had submitted its proposals much earlier to the House Agriculture Committee where this legisla-

tion must originate. I fully appreciate the problem which this committee faces in considering sugar legislation in the closing days of this session. This is a highly complex subject and one over which there certainly are many divergent views.

I believe it goes without saying that the Sugar Act has been one of the most successful of our farm programs. Over the years it has provided domestic producers of sugar, both cane and beet, with a fair price for their sugar, and it has also assured the consumers of adequate supplies at a very reasonable price. In addition, the program has resulted in a net profit to the Federal Government through excise taxes and tariff duties.

I am very pleased that the pending legislation does provide for an increase in the basic marketing quota for domestic cane and beet sugar producers. This will enable these producers to dispose of the inventories accumulated in excess of their marketing quotas under the old act which were built up in response to the Secretary of Agriculture's urging of greatly expanded production commencing in 1962 to offset an international sugar shortage. The domestic industry responded admirably and to the extent that they accumulated stocks beyond their marketing quota.

Unfortunately the increase in quotas for our domestic producers, although sufficient to take care of accumulated stocks, will not provide for any additional acreage for new growers or for new areas and new sugar refineries.

There are many areas of the United States which are most capable of producing sugar economically. I think it is most important that the U.S. quota be high enough to permit some acreage over the term of the act to be allocated to new growers and new areas.

Earlier this week the Senate adopted the conference report on the Food and Agriculture Act of 1965 which contains a huge land retirement program. In my opinion, it hardly makes sense to embark upon a huge land retirement program which will cost a billion dollars a year and, at the same time, import about one-half of our sugar requirements a good deal of which could be produced in this country on acreage otherwise either devoted to the production of crops which may be in surplus, or on acreage which the Federal Government otherwise would be spending huge sums of money to retire from production of all commodities. I know of no other country in the world which would take similar action in making possible substantial imports of a commodity which its farmers could produce economically.

As I have mentioned to this committee in years past, the Red River Valley of North Dakota and Minnesota is ideally suited to the production of sugarbeets. The producers in this area are most desirous of increasing their production and there are thousands of additional farmers who are extremely anxious to have an opportunity to commence production of this crop. This area has sufficient rainfall to produce beets in dryland farming and has the type of soil and level land which facilitates large-scale mechanized production. It should also be pointed out that in this area, 1 year prior to planting sugarbeets, the producer must summer-fallow the land on which he proposes to plant beets. This, in effect, means that it requires 2 acres to produce 1 acre of sugarbeets. Any acreage planted to beets, in most cases, therefore, would relieve the production of crops that are in sur-

plus. Sugarbeet production, in addition, furnishes employment for a sizable number of people in the cultivation, harvest, and refining of beets. Considerable employment is also furnished through the great amount of expensive machinery required for the production of sugarbeets.

In view of the unsettled international situation, I would hope that we could reach a point where we could, to a much greater degree, rely upon our domestic sugar industry to meet our requirements. This can be done by increasing the allocations given to the domestic sugar industry. I hope that it will be possible for this committee to approve a much greater allocation for our domestic producers—both cane and beet producers. I believe this would be in the best overall interests of the Nation.

Senator LONG. Thank you very much, Senator Young.

We are pleased to have as our next witness the Honorable Daniel K. Inouye, Senator from the State of Hawaii.

**STATEMENT OF HON. DANIEL K. INOUE, A U.S. SENATOR FROM
THE STATE OF HAWAII**

Senator INOUE. I am pleased to associate myself with those urging that the Finance Committee report the sugar bill in the form proposed by the administration (S. 2567).

This is a good bill. I am convinced that it will continue the sugar program of this country on a highly satisfactory basis. It has regard for the maintenance of a healthy domestic industry, for the continuance of stability of price and supply, and for the fostering of trade with friendly foreign nations with emphasis on that with our Latin American neighbors.

I have followed the development of this particular legislation for almost 2 years. Recognizing the highly competitive and even recriminatory situation which existed among the various segments of our domestic industry last year I was one of those who urged these dissident groups to make an all out effort to reconcile their differences, and, together with the executive departments, to come forward with a program which all could support before Congress. S. 2567 is the result of these months of hard work. It is a program arrived at in good faith, not completely satisfactory to any segment of the industry, but unanimously backed by all. It recognizes the needs of the continental producers to reduce present unmanageable inventory surpluses. It recognized the necessity, over a period of years, of restoring the delicate balance which characterizes the domestic provisions of the act. It restores the insulation from the so-called world market—so necessary for the stability of supplies. It continues, and even enhances, the guarantees to the consumers that sugar will always be available in the quantities needed and at fair and reasonable prices.

I understand that an effort may be made to merely effectuate the domestic quota provisions of this program now—and study the rest, for action next year. Gentlemen, this legislation has had exhaustive study this year. The bill before you is not a new program. Our sugar program has worked exceedingly well for about 30 years. This bill continues that program with such amendments as have been shown to be necessary to provide an even more effective operation and

administration. The opportunity to extend this program at this time must not be lost. I am sincerely convinced that any deferment of this legislation, even for a period of a few months, will seriously jeopardize the program.

I reiterate—this is a good program; it is a sound program in all respects. I urge its favorable consideration by this committee.

Senator LONG. Thank you very much, Senator Inouye.

Our next witness is Senator Joseph M. Montoya, U.S. Senator from New Mexico.

STATEMENT OF HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM NEW MEXICO

Senator MONTOYA. Mr. Chairman, in recent years, a vast amount of interest has been demonstrated by New Mexico farmers in sugarbeets. This enthusiasm, and that of groups from other States wanting to grow the crop, resulted in the Congress, in 1962, making special provision under the Sugar Act for beet sugar factories in new areas.

Specifically, the Congress amended the Sugar Act authorizing the Secretary of Agriculture to set aside 65,000 acres each year for the operation of new beet sugar factories. Six new factories have now been constructed; however, H.R. 11135 does not contain a provision continuing this authorization.

The State of New Mexico meets the criteria of the 1962 amendment, and has the resources and manpower available to immediately expand acreage allotments for the growing of sugarbeets sufficient to support the construction of a sugar processing plant.

Farm income in New Mexico has declined and the need for an additional cash crop is vital. New Mexico needs an acreage allotment of at least 25,000 acres to support such a factory and to bring our farm income more in line with the national average.

Since New Mexico's farm income decline percentagewise has been the largest in the Nation, it is readily apparent why 15 of the 32 counties are depressed areas, and why 1 of 5 operators of its family-size farms must have outside employment to support his family.

I believe that we should be permitted to produce a greater quantity of our own sugar so that we would not be subjected to the whims of foreign producers.

The Food and Agriculture Act of 1965 provides for the long-term diversion of land currently being used for the production of surplus crops to protective conservation uses. I feel very deeply that a portion of this diverted land should be utilized by increasing acreage allotments of sugarbeets, thus greatly assisting in the improvement of our domestic economy. By decreasing our imports, this added acreage would not create a market surplus.

We owe it to the American sugarbeet farmer to provide legislation guidelines that will guarantee him a greater share of the American sugar market. There is a vital need for a substantial increase in the sugarbeet marketing quota so that this industry can continue to thrive and contribute to the sound economic health of the Western States.

I, therefore, respectfully request the committee to give serious consideration to amending H.R. 11135 by adding provisions for a portion of the land diverted under the Food and Agriculture Act of 1965 to

be allocated for the growing of sugarbeets and for the continuation of the authorization for the Secretary of Agriculture to set aside 65,000 acres each year for the operation of new beet sugar factories.

Senator LONG. Thank you very much, Senator Montoya.

We are pleased to have as our next witness the Resident Commissioner of Puerto Rico, the Honorable Santiago Polanco-Abreu.

STATEMENT OF HON. SANTIAGO POLANCO-ABREU, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. POLANCO-ABREU. Mr. Chairman and members of the committee, as I said in my statement to the House Agriculture Committee when the sugar bill was in the House of Representatives, the application of the Sugar Act is important to Puerto Rico, as it is to all the other U.S. sugar-producing areas. For this reason, I support the extension of this workable and effective basic legislation and also support the 1965 amendments of H.R. 11135 as introduced in the House. Enactment of these provisions will ease the marketing problems of some of our sister areas and continue supply and price protection to domestic consumers.

The Sugar Act and the stability which it brings to the sugar industry are fundamental to the welfare of thousands of Puerto Rican families. Sugar continues to be a major source of income for the people of Puerto Rico.

The hurricane of 1956, which was followed by an unprecedented drought, reduced the 1956-57 sugar crop to 8.7 million tons of cane. During the following 4-year spell of especially bad harvesting conditions, efforts were made to recover from this temporary setback. With the help of the Commonwealth government, large investments are made annually to mechanize industry, to replant old ratoons, and to apply modern techniques. Thus, by 1962-63, an output of more than 10 million tons of cane was once again reached.

In recent years, Puerto Rico has suffered, with most other parts of the world, an unexplained reduction in the percentage yield of sugar from sugarcane, and during the past 2 years, severe drought conditions again struck the island. Wetter weather in recent months indicates a probable turn in the long cycle of rainfall deficiency. While it is too early to estimate our production for 1966, I can tell you that present prospects are for a substantial increase over the unusually low 1955 level. We certainly will not be back to the level of production prior to 1957, but I think we will be able to regain some of the ground that we lost during the past 8 years.

The amendments to the Sugar Act provided by H.R. 11135 will give Puerto Rico a period in which to recover her lost production levels. I want to assure the committee that the Commonwealth government, the University of Puerto Rico, and the industry itself are lending every effort to restore our sugar production to the quota level to insure a dependable supply for the United States. H.R. 11135 will provide us with that opportunity.

In closing, I should like to say that while the bill before the committee has our general support and meets with our general satisfaction, we regret that we are still under severe quota limitations for direct consumption sugar. Puerto Rico has not enjoyed any substan-

tial increase in its refined sugar quota in 30 years, since 1934. On behalf of our people, I want to express the hope that the next sugar bill before the Congress will deal with this problem and that this committee will, at the first opportunity, consider a substantial increase in the refined sugar quota for Puerto Rico.

Senator LONG. Thank you very much Mr. Commissioner.

We are happy to have the Agricultural Counselor of the Argentine Embassy, Mr. Enrique G. Valente, as our next witness.

STATEMENT OF ENRIQUE G. VALENTE, AGRICULTURAL COUNSELOR OF THE ARGENTINE EMBASSY

Mr. VALENTE. The administration's bill established a quota for Argentina of 1.19 percent of the total imports, excluding Philippines. The Agricultural Committee of the House of Representatives reduced this percentage to 0.53 percent.

This reduction means that the 63,685-ton proposed allotment by the administration has been reduced to 21,485 tons.

As in 1962 through unforeseen circumstances Argentina is discriminated against in the process of enacting the sugar legislation, becoming the only country in the Western Hemisphere whose proposed allotment was reduced by the House and furthermore in a very substantial measure.

We have referred to the enactment of the 1962 Sugar Act because on that occasion the Senate, through very clear and comforting statements by Senators Holland, Long, Ellender, McClellan, Moss, Clark, Humphrey, and Fulbright reached a decision which repaired the omission of Argentina in the conference report.

The Senators' statements as registered in the Congressional Record of July 2, 1962, stressed the need to put Argentina on an equal footing with the other countries of the Western Hemisphere and called the attention to the fact that Argentina had used no lobby whatsoever, presenting, instead, her case through the normal channels of her Embassy in Washington.

Argentina is not using lobbies again, and her views are being made available to the Congress and the administration of the United States through her Embassy.

Argentina honored the confidence expressed by the U.S. Congress in the amendment of the Honey Bee Act by fulfilling her quota of the second semester of 1962 and by increasing her deliveries to the U.S. market by 11½ times her quota of 1963 at a time when the price in the international market was moving upward beyond control.

Our quota for 1963 was of 20,000 tons and our exports to the United States reached 230,000 tons in what it was then considered as a major contribution to check the skyrocketing trend in prices which were causing many of the countries holding quotas to withdraw from the U.S. market to take full advantage of the price situation elsewhere.

In 1964 and 1965 Argentina fulfilled her quotas satisfactorily.

The performance of Argentina since the enactment of the Honey Bee Act in 1962 has been acknowledged with satisfaction by the officials of the administration responsible for the sugar supplies of the U.S. market and is reflected in the almost 66,000 tons allotted to Argentina in 1965 and the 63,685 proposed for the new bill by the administration.

Argentina requested a quota of 100,000 tons to be included in the new legislation. This quantity falls within the normal surpluses of the Argentina sugar production and does not imply any increase in the traditional sugar production of Argentina.

The pattern of the domestic market in Argentina differs substantially from the typical exporting developing countries, since in our case the same absorbs around 85 percent of the total production and pays a higher price than the international market. The level of the domestic consumer price in Argentina is similar to the U.S. domestic price.

The structure of sugar production is also a different one; the outstanding feature being the existence of over 30,000 independent farmers growing sugarcane.

In the light of the above considerations we want to point out that Argentina is seeking to increase her participation in the U.S. market basically to improve the balance of payments of the country and not to better the lot of a few privileged sugar barons.

This request is intended to contribute to mitigate the high imbalance of trade between Argentina and the United States whose deficits against Argentina have accumulated to 1.1 billion in the last 5 years.

This trade deficit being the outstanding factor of disequilibrium of the external sector of Argentine economy jeopardizing any efforts undertaken by her Government or sought by inter-American cooperation to achieve a sustained economic development and political and social stability.

In accordance with the above-mentioned reasons, Argentina hopes that the bill as approved by the Committee on Agriculture of the House be modified to provide her with a quota consistent with her past performance, her production, the particular situation of the balance of trade between Argentina and the United States and the principles of equity in the economic relations between the United States and the rest of the countries of the Western Hemisphere.

Argentine exports to and imports from the United States of America (1960-64)

[Millions of dollars]

Year	Exports	Imports	Balance
1960	90.5	327.5	-237.0
1961	83.8	383.2	-299.5
1962	88.8	398.8	-310.0
1963	150.0	241.6	-91.6
1964	90.5	255.4	-164.9
Total	503.6	1,606.5	-1,103.0
5-year balances (1948-62):			
1948-52	863	1,027	-164
1953-57	675	865	-190
1958-62	562	1,621	-1,059
5-year averages (1948-62):			
1948-52	173	205	
1953-57	135	173	
1958-62	112	324	

Source: U.S. Department of Commerce, Bureau of the Census.

The tables above make evident that the balance of trade between Argentina and the United States is increasingly deteriorating in detriment of Argentina. This situation is a major factor in the Argentine balance-of-payments disequilibrium.

It must be pointed out that Argentine imports from the United States exceeded the exports to this country by \$1.1 billion in the period 1960-64, amount approximately equal to the value of Argentine total exports in 1 year.

Senator LONG. Thank you Mr. Valente. Your statement will be given full consideration by the committee.

We are pleased to have as our next witness, Mr. Frank A. Kemp, appearing on behalf of the domestic industry.

STATEMENT OF FRANK A. KEMP, REPRESENTING ALL SEGMENTS OF THE DOMESTIC SUGAR PRODUCING AND REFINING INDUSTRIES

Mr. KEMP. Chairman Long, my name is Frank A. Kemp. I live in Colorado. I have been in the beet sugar industry since 1923. For the last 30 years I have been president of one of the beet sugar trusts.

Now, I have filed, and I think each member of the committee has before you, a statement of about 10 pages. I think to save the committee's time the statement can be printed in the record as if read.

I would like also to hand to the reporter to be included at the end of my statement a copy of the organizations for whom I appear. They are, I think, with one small exception all of the organized growers and processors of the U.S. beet sugar industry, the whole mainland sugarcane industry, the Hawaiian sugarcane industry, the Puerto Rican sugarcane industry, and the U.S. cane sugar refineries.

Senator WILLIAMS. The statement and the list will be printed in the record at this point.

(The statement and list referred to follow :)

STATEMENT OF FRANK A. KEMP, ON BEHALF OF ALL SEGMENTS OF THE DOMESTIC SUGAR PRODUCING AND REFINING INDUSTRIES

Chairman Byrd and members of the committee, I would like to suggest, Mr. Chairman, that I first present a brief statement and then attempt to answer any questions which the committee may have. If this is agreeable with the committee, I will proceed on this basis.

My name is Frank A. Kemp. My home is in Colorado. I have been in the sugar industry since 1923. Since 1936 I have been president of the Great Western Sugar Co., one of the sugarbeet processors. I am a trustee of the United States Beet Sugar Association and a member of the legislative committee of the established growers and processors of sugarbeets in the United States.

I appear here today representing the domestic sugar industry, which is made up of five industry groups, as follows :

- (1) The sugarbeet growers and processors, with plants and production in 21 States, who together comprise the established U.S. beet sugar industry ;
- (2) The sugarcane growers and processors of the continental United States, whose lands and mills are in Louisiana and Florida ;
- (3) The Hawaiian Sugar Planters' Association, which represents the sugar producers in our 50th State ;
- (4) The Association of Sugar Producers of Puerto Rico ; and
- (5) The U.S. Cane Sugar Refiners' Association, whose members have refineries and other installations in 12 States from Massachusetts and Illinois to Texas and California.

With your permission, Mr. Chairman, I should like the full list of the organizations for whom I speak inserted at the conclusion of my remarks. A copy of this list is attached to my statement which has been given to each member of the committee.

Last year, the domestic industry was divided. In consequence, the Congress did not extend and amend the Sugar Act. Government officials and various Members of the Congress told the industry that it must reconcile its differences

and develop a common legislative recommendation. We were again told the same thing early this year.

This was a difficult assignment. The needs of the various segments of the industry differ greatly and the competitive forces between them are intense. However, recognizing the great need for legislative relief and following the advice given it, the industry initiated a series of conferences to consider the legislative problems confronting it.

After many weeks of intense and sometimes better discussion, after considerable give and take, after much soul searching on the part of every segment, the domestic industry, on March 24, finally evolved a legislative recommendation for presentation to this session of Congress. We discussed this proposal first with various Members of Congress, and then presented it to the Department of Agriculture, the Department of State and other interested executive agencies, so that there could then be submitted to Congress an administrative recommendation which would have been considered and found appropriate and would be endorsed and supported not only by the entire established domestic sugar industry but also by all of the executive agencies concerned with this commodity from one angle or another. After intensive discussions with all groups concerned, the executive branch developed the recommendation which is now before this committee as S. 2567. H.R. 11135 which passed the House and is now before the committee contains most of the domestic provisions of the administration's sugar program. Later on I will discuss the major differences.

I should like to stress the significance and importance of these facts. This committee knows from its experiences not only with sugar legislation but with legislation affecting other matters that the problem of deciding on a proper course has often been made more difficult by conflicting views and opinions as to what should be done on the part of those directly concerned and at times by differences in the points of view of the various Government agencies involved.

That all of the groups concerned, both industry and Government, as a consequence of 9 months of consideration and discussion have presented a single recommendation is a fact of persuasive and compelling importance and I believe, of great advantage to this committee. In fact, it is something of a miracle in legislative history to be given great weight in any determination of the national interest.

I am pleased now to inform the committee that each of the groups for which I appear completely supports the administration's recommendations. However, as we pointed out in hearings before the House Agriculture Committee, the division of foreign quotas among the various suppliers did not enter into any of the discussions between the industry and the executive branch. We agree with the broad principle that such division should be made on some formula approach.

The sugar program we have recommended takes account of the problems and business necessities of each of the domestic sugar groups. For example, and without any attempt fully to describe the bill, it includes provisions to protect, over a period of years, the integrity of the raw sugar supplies needed by the U.S. cane sugar refiners; it fixes quotas for each of the domestic producing areas through 1971 at a level which will permit the two continental areas gradually to dispose of surpluses in an orderly manner; it is designed to restore substantially the domestic-foreign balance by the end of its term; under defined conditions it gives the Secretary authority to put foreign raw sugar under quarterly quotas during the first half of a year, and thus protect domestic producers.

Each of these and the many other provisions of the industry-administration program is part of a structure which cannot stand if any important part is removed. Senator Fulbright's amendment cuts out the bulk of the industry program retaining only one basic feature and that for only a limited time.

While the domestic sugar industry has not participated in and takes no position on the size of quotas assigned to specific foreign countries, we do believe that these quotas, whatever they may be, should be established by Congress and not by the executive branch. Whatever the difficulties the legislative process may present, we prefer it to the suggested alternative.

The industry-administration program which was developed this year is a most remarkable and valuable achievement. I sincerely doubt if there would be any chance of repeating it next year. The Fulbright amendment would destroy the opportunity we now have to put into law a sugar program for a term of years backed by the entire domestic sugar industry and by the administration.

While the Sugar Act is designed to afford protection to the domestic industry, it also has the important purpose of providing supplies for consumers at fair and reasonable prices. The stability of these supplies is an integral part of

the sugar program. To achieve these objectives it is necessary to give all segments of the industry guidelines by which they can operate for a period of years. Not to do so would certainly set the stage for price-and-supply instability.

S. 2567 has been very ably discussed in detail by the spokesmen for the administration. A point-by-point analysis of the bill, with which we also concur, has been furnished you.

As you know, the Sugar Act has been amended or extended 13 times. These have included numerous extensions of several years' duration, such as that incorporated in S. 2567. Because of circumstances prevailing at this time, the term of the extension of the act is basic to the entire agreement.

Only under the term proposed can the following be accomplished:

(1) Surplus beet and mainland cane sugar be disposed of as rapidly as possible, consistent with orderly marketing;

(2) Excessive acreage cutbacks in the beet and mainland cane areas be avoided; and

(3) Refiner and import volume be gradually restored to approximately the same proportion as exists under present law.

If the amended act is not extended through 1971, these three basic objectives cannot be achieved. We concur with Secretary Schnittker's statement that "the recommended term of the extension and the market sharing proposal are integral parts of a single plan."

The proposal in S. 2567 would set the marketing quotas for the mainland cane and domestic beet industries at about the estimated levels they would reach by 1971 under the 1962 Sugar Act Amendments. This would enable the refiners and foreign suppliers to approximate their present positions by the end of the term of this extension. For this reason, any expiration date short of that recommended would jeopardize the united industry support for the bill.

While the House bill incorporates most of the recommendations of the industry and the administration, there are several differences between it and S. 2567. The House bill fails to provide specific authority for the Department of Agriculture to limit importations of raw sugar during the first two quarters of any calendar year. In many foreign producing areas, there is limited storage and an urgent need for dollars, and producers at times tend to rush sugar to market early in the year. Quite obviously if this rushing to market takes place in any substantial volume, it has a depressing effect on prices, making it difficult for the Secretary of Agriculture to achieve the price objective set forth in section 201 of the act. We earnestly hope, therefore, that the Senate will restore this authority.

As Secretary Schnittker indicated in his statement, the House-passed bill includes special privileges with respect to both the allotment of mainland sugar-cane and sugarbeet crop acreages and the allotment of sugar marketing rights in the two areas. Since the Secretary indicated the nature of these provisions providing for special treatment for certain classes of farmers and processors in these areas, I shall not take the time of the committee to describe them here. However, on behalf of all segments for which I appear, I should like to emphasize that we strongly support the administration in its view that the acreage allotment and sugar marketing provisions of the Sugar Act as now written provide the Secretary with sufficient discretion to formulate fair and equitable regulations without the amendments contained in the House-passed bill.

It also contains a provision which authorizes the Secretary to reserve, after 1966 and after the consumption estimate reaches 10,400,000 tons, up to 25,000 tons of mainland cane area quota and accompanying acreage for one new cane sugar mill. The existing industry in the mainland cane area already has taken sizable acreage cuts. We believe it highly unjust, therefore, further to penalize the existing industry in Louisiana and Florida by providing that the first 25,000 tons of growth for that area after the fixed-quota period is over go to a new facility.

The domestic sugar industry supports the position of the President and the administration in opposing an import fee.

A brief history of the domestic industry's position with respect to an import fee is in order. The import fee was introduced into the Sugar Act by the 1962 amendments, which authorized such fees on an experimental basis for the years 1962 through 1964. In October of 1964, in explaining that no fees would be imposed during 1965, the Department of Agriculture publicly announced it would ask for authority to reestablish import fees beginning in 1966.

In our efforts to work out a sugar program which all elements of the sugar industry could support, we felt it necessary to take account of the announced Government position. After much discussion, which included the airing of honest differences within the domestic industry, it was agreed to support a program

which included an import fee limited to a maximum of 50 percent of the difference between the world price and the domestic price objective, or 1 cent a pound, whichever was smaller.

In late July, when it became clear that there was some question within the administration regarding its position on the import fee, and considering the industry's concern that further delay by the administration in sending its recommendations to the Congress would greatly jeopardize the chances for sugar legislation in 1965, the industry advised the Government that it would support any downward modification of its initial fee position which the President thought was in the national interest.

Subsequently, the President determined that such a fee was inadvisable. On August 17, 1965, in a meeting with the Latin American ambassadors, he announced: "I will propose today that Congress eliminate the special import fee on sugar, so the full price of sugar will get to the Latin American producers."

The domestic sugar industry immediately agreed to support the President in this decision, and does so today.

Another point which I wish to make is the necessity of action on this measure before the Congress adjourns. For the effective operation of the sugar program and for the smooth transition from the existing law to the terms of this bill, many of the changes must become effective for the current calendar year.

I am confident the members of this committee realize that failure to achieve sugar legislation this year would so further aggravate frictions within the industry as to make it practically certain that the industry would be unable to achieve unanimity next year. For the good of the sugar program of this country, this must not be allowed to happen.

A final point on this legislation is added protection given by it to consumers. This is accomplished in several ways:

(1) The bill assigns temporary country-by-country quotas representing the amount retained for Cuba. The industry believes this change will contribute to stability and assurance of adequate sugar supplies.

(2) S. 2567 provides penalties against the quotas of foreign countries which do not maintain sufficient reserves for the U.S. market to assure that they will be able to supply their proportionate part of any increase in their quotas. This is accomplished by reducing, in following years, the amount of their quota to the extent of the shortfall. This will encourage foreign suppliers to carry higher inventories and will be added insurance to U.S. consumers that their sugar needs will be met.

(3) Both domestic beet and mainland cane areas will carry larger inventories than they have in the past.

(4) The term of extension recommended in the legislation means that both domestic and foreign suppliers can plan their future production on a businesslike basis. Stability of supply, and therefore stability of price, will be enhanced by the term recommended in the bill.

Mr. Chairman, throughout its history the sugar program has been an outstanding success. All elements of the industry share the conviction that the provisions of this bill, as they stand, will enable the sugar program to operate in the national interest more effectively and equitably than in the recent past. We believe the sugar program, as it would operate under the provisions of this bill, will give foreign suppliers greater assurance of their substantial share of the U.S. market, will permit domestic producers to market their existing surpluses in an orderly manner and, most of all, will insure adequate supplies at stable and reasonable prices for the benefit of American sugar consumers.

I hand the reporter a full list of the organizations for whom I speak and ask that it be included as the conclusion of my statement.

Mr. Chairman and members of this committee, I am grateful for the consideration you have always accorded the domestic sugar industry. On behalf of all the people I represent, I express deep appreciation.

List of organizations for whom Frank A. Kemp appeared:

U.S. SUGARBEET INDUSTRY

Alma Sugarbeet Growers, Inc.
The Amalgamated Sugar Co.
American Crystal Sugar Co.
Ark Valley Beet Growers Association.
The Big Horn Basin Beet Growers Association.
Blissfield Beet Growers Association.

Buckeye Sugarbeet Growers Association.
 California Beet Growers Association, Ltd.
 Caro Sugarbeet Growers, Inc.
 Central Nebraska Beet Growers Association.
 Croswell Sugarbeet Growers Association.
 Findlay District Beet Growers Association.
 Finger Lakes Sugarbeet Growers Association.
 Fremont Beet Growers Association.
 Goshen County Cooperative Beet Growers Association.
 The Great Western Sugar Co.
 Gunnison Sugar, Inc.
 Holly Sugar Corp.
 Idaho Sugarbeet Growers Association.
 Layton Sugar Co.
 Lower Snake River Sugarbeet Growers Association.
 Michigan Sugar Co.
 Monitor Sugarbeet Growers, Inc.
 Monitor Sugar Division of Robert Gage Coal Co.
 Montana-Wyoming Beet Growers Association.
 The Mountain States Beet Growers Marketing Association of Colorado.
 The Mountain States Beet Growers Marketing Association of Montana.
 The Nebraska Non-Stock Cooperative Beet Growers Association.
 Northern Ohio Sugar Co.
 Northwest Nebraska Beet Growers Association.
 Nyssa-Nampa District Beet Growers Association.
 Red River Valley Sugarbeet Growers Association.
 Saginaw Sugarbeet Growers, Inc.
 Sebawaing Sugarbeet Growers Association, Inc.
 Southern Colorado Beet Growers Association.
 Spreckels Sugar Co.
 Utah Sugar Division, Consolidated Foods Corp.
 Utah-Idaho Sugar Co.
 Utah Sugarbeet Growers Association.
 Washington Sugarbeet Growers Association.
 The Western Colorado Beet Growers Marketing Association.
 Western Montana Beet Growers Association.

MAINLAND SUGARCANE INDUSTRY

American Sugarcane League of the United States, representing more than 5,000 growers and 40 processors.
 Florida Sugarcane League, representing the 11.
 Florida sugar mills and the sugarcane growers in Florida.

HAWAIIAN SUGARCANE INDUSTRY

Hawaiian Sugar Planters' Association.

PUERTO RICAN SUGARCANE INDUSTRY

Association of Sugar Producers of Puerto Rico.
 Antonio Roig, Sucesores, S. en C.
 Azucarera Cayey, Inc.
 Central Aguirre Sugar Co.
 Central Coloso, Inc.
 Central Eureka, Inc.
 Central Igualdad, Inc.
 Central Mercedita, Inc.
 Central Monserrate, Inc.
 Central San Francisco.
 Compania Azucarera del Camuy, Inc.
 Cooperativa Azucarera Los Canos.
 C. Brewer Puerto Rico, Inc.
 Plata Sugar Co.
 Soller Sugar Co., Inc.
 South Puerto Rico Sugar Corp.

U.S. CANE SUGAR REFINING INDUSTRY

U.S. Cane Sugar Refiners' Association.

American Sugar Co.

J. Aron & Co., Inc.

California & Hawaiian Sugar Refining Corp.

Henderson Sugar Refinery, Inc.

Imperial Sugar Co.

Refined Syrups & Sugars, Inc.

Revere Sugar Refinery.

Savannah Sugar Refining Corp.

The South Coast Corp.

SuCrest Corp.

Mr. KEMP. Senator, I think in an effort to save the committee's time—and I admire your strength and stamina—I will let you read that statement.

Senator CARLSON. Mr. Chairman, I just want to say this. Mr. Kemp is not only an authority on this beet sugar operation, he is one of the outstanding citizens of the Middle West, coming from the neighboring State of Colorado, and we are very proud of the fine service he has rendered all these years. I assure you that any statement he made today, although he has not read it to the committee, is one worthy of consideration.

Mr. KEMP. Senator Carlson, thank you so much.

Senator LONG. Senator Douglas, any questions?

Senator DOUGLAS. I would just like to ask the chairman this question: Is there anyone representing the consumers or the taxpayers here today?

Mr. KEMP. Yes, I think I do, sir—because I don't think anyone in the sugar business has ever forgotten the prime interest of the consumer, whose trade, whose patronage keeps us alive.

Senator DOUGLAS. That is an indirect interest, not a direct interest.

Senator WILLIAMS. As I understand it, Mr. Kemp, in your statement I notice you are the president of the Great Western Sugar Co., is that correct?

Mr. KEMP. That is correct.

Senator WILLIAMS. You have been primarily engaged in the processing industry?

Mr. KEMP. Entirely. We buy beets under contract from farmers.

Senator WILLIAMS. Yes, I understand that.

Are you speaking in representation of the processors or more of the growers?

Mr. KEMP. No, I speak for both.

Senator WILLIAMS. For both?

Mr. KEMP. Yes.

Senator WILLIAMS. I see.

Mr. KEMP. If you look at this list, you will see the names of several dozen growers associations scattered throughout this list.

Senator WILLIAMS. Yes.

Senator LONG. Senator Carlson?

Senator CARLSON. No questions.

Senator LONG. Senator Fulbright?

Senator FULBRIGHT. No questions.

Senator LONG. Thank you very much.

Our next witness is Mr. John C. Lynn, appearing in behalf of the American Farm Bureau Federation. Mr. Lynn is accompanied by Mr. Marvin L. McLain.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR

Mr. LYNN. We appreciate the opportunity to present our recommendations with respect to legislation to amend and extend the Sugar Act.

Farm Bureau's membership includes sugar producers in all domestic areas except the Virgin Islands.

Our basic policy on sugar is set forth in a resolution adopted by the elected voting delegates of our member State organizations at our last annual meeting, as follows:

We support the Sugar Act as a means of dealing with problems peculiar to the sugar industry and urge its administration on the basis of protecting the interests of domestic producers. The primary provisions of this act relate to the use of quotas to regulate the marketing of domestic and imported sugar.

The production of sugar has increased dramatically in the mainland cane and beet areas in recent years as the result of legislation authorizing acreage allocations to new beet areas, a sharp rise in sugar prices, and the Secretary of Agriculture's suspension of acreage restrictions for the protection of consumers.

The Government has a moral responsibility to permit the marketing of the overquota sugar that has been produced in response to Government actions and at the same time to avoid undue depression of sugar prices. Basic quotas should be adjusted to accommodate the expanded productive capacity of the mainland cane and beet areas, and a larger share of the future growth in sugar consumption should be reserved for domestic producers.

The mainland cane and beet sectors of the sugar industry are in a serious surplus position as a result of governmental actions and inactions which have resulted in the expansion of production without a corresponding increase in marketing allocations.

Under legislation enacted in 1962, the Department of Agriculture made acreage allocations for new plants and the expansion of old plants which eventually will produce an estimated 325,000 tons of beet sugar annually.

Summary of allocations from the national sugarbeet acreage reserve

Location	Acres	Estimated production	Effective with crop year	Cumulative estimate of sugar production from such allocations
California (Fresno, Kings, Madera, and Tulare Counties).....	19,000	<i>Short tons</i> 45,700	1963	<i>Short tons</i> 45,700
Texas Panhandle area.....	22,230	} 50,000	1964	95,700
Curry County, N. Mex.....	2,500			
Idaho.....	8,140	18,020	1964	113,720
East-central Michigan.....	4,030	6,850	1964	120,570
Ohio.....	2,415	4,430	1964	125,000
Central New York (8 counties).....	29,500	50,000	1965	175,000
Northern Red River Valley of Minnesota and North Dakota.....	31,000	50,000	1965	225,000
Aroostook County, Maine.....	33,000	50,000	1966	275,000
Arizona.....	20,000	50,000	1966	325,000

In 1963, the Department of Agriculture was panicked by a sharp, but temporary, rise in world sugar prices. Fearful that it would be blamed for an increase in the prices paid by consumers, the Department suspended acreage restrictions on the 1963 mainland cane crop, announced that there would be no acreage restrictions on the 1964

cane crop, and also promised that beet acreage would not be restricted in 1964 or 1965.

The Department's desire to expand the capacity of the domestic sugar industry is well illustrated by the following quotation from a statement made by former Under Secretary Charles S. Murphy, before the Consumer Affairs Subcommittee of the House Banking and Currency Committee on June 5, 1963:

All controls on domestic sugar production have been removed. There have been no governmental controls on production in Puerto Rico, Hawaii, or the Virgin Islands in recent years and there have been none in the domestic sugarbeet area since 1960. We have also announced that there will be no such controls in the domestic sugarbeet areas in 1964 and 1965. In the mainland sugarcane area, 1963 crop acreage was originally established at the level of 1962 acreage, which for Florida reflected a 100-percent increase over the 1961 acreage. Early in May, it was announced that the 1964 crop would be unrestricted and that the 1963 restrictions were removed.

The only restrictions on domestic sugarbeet and mainland cane production, therefore, are those resulting from a limitation of processing capacity. *One of the major objectives of the Department in announcing that restrictions would not be imposed on sugarbeet production in 1964 and 1965 was to encourage the modernization and expansion of existing factories and the enlargement of factories now under construction.* [Emphasis added.]

The suspension of controls in a period of rising prices stimulated an increase in sugar production that apparently took the Department's experts completely by surprise. In a 1964 speech before the California Beet Growers Association, Tom O. Murphy, Director of the Agricultural Stabilization and Conservation Service sugar policy staff admitted that:

The desire of farmers in the United States to grow sugarbeets is startling, even to those in the Department of Agriculture who felt that they were pretty well up on this sort of thing.

The extent to which sugar production has been increased in recent years in the mainland cane and beet areas is indicated by the following table:

Mainland U.S. production of sugarcane, sugarbeets, and sugar

[Acres and tons in thousands]

Crop of—	Sugarcane for sugar			Sugarbeets		
	Acres harvested for sugar	Production		Acres harvested	Production	
		Cane (tons)	Sugar (tons) ¹		Beets (tons)	Sugar (tons) ¹
1958.....	253	6,172	578	895	15,254	2,214
1959.....	296	6,844	615	897	16,757	2,303
1960.....	304	7,137	630	962	16,619	2,475
1961.....	333	9,154	858	1,091	17,927	2,431
1962.....	368	9,365	852	1,101	18,236	2,595
1963.....	435	13,000	1,183	1,248	23,400	3,086
1964.....	547	13,822	1,147	1,394	23,368	3,284
1965.....	² 498	² 14,320	-----	³ 1,265	³ 21,856	³ 3,060
Percentage increase:						
1958 to 1964.....	116.2	123.9	98.4	55.8	53.2	48.3
1960 to 1964.....	79.9	93.7	82.1	44.9	40.6	32.7

¹ Raw value.

² Sept. 1 indicated production and acreage for harvest for sugar and seed.

³ Sept. 1 indicated production and acreage for harvest.

Source: "Sugar Statistics and Related Data," Statistical Bulletin No. 244 and "Crop Production," June and September 1965.

The quotas available to the mainland cane and beet areas have not been increased to accommodate the increased production of sugar made possible by the suspension of acreage restrictions, and the commitment of future acreage allocations to new beet areas. On the contrary, as the following table shows, quotas have been reduced as production increased. This reflects the fact that unusual conditions made it necessary for the Secretary of Agriculture to set the 1963 estimate of domestic requirements at a level that was well above actual consumption, and also the fact that the initial quota announcements for both 1964 and 1965 contemplated further legislation.

Sugar quotas and production

[Tons, raw value]

	Estimate of total requirements	Mainland cane quota	Beet quota	Total mainland cane and beet
1963.....	10,400,000	1,009,873	12,990,127	4,000,000
1964.....	9,800,000	911,410	2,698,590	3,610,000
1965 (Sept. 22).....	9,300,000	895,000	2,650,000	3,545,000
Production from 1964 crop.....		1,147,000	3,284,000	4,431,000
Excess of 1964 production over current quota.....		252,000	634,000	886,000
1964 production as a percentage of current quota.....		128.2	123.9	125

¹ The beet area was unable to market its full quota in 1963. The final 1963 beet quota after adjustment for deficits was 2,698,590 tons.

The inevitable result of increasing production and declining quotas has been a sharp increase in stocks.

*Stocks of sugar held by beet producers and mainland cane processors,
Jan. 1, 1963-65*

[Short tons, raw value]

As of Jan. 1—	Beet processors	Mainland cane processors
1963.....	1,368,426	11,938
1964.....	1,025,166	45,258
1965.....	1,696,231	151,323

Acreage restrictions were imposed on the 1965 crops in both the mainland cane and beet areas, despite earlier USDA promises that the 1965 beet crop would not be restricted.

Since the administration of the sugar program in recent years has encouraged an expansion of the acreage devoted to sugarcane and beets along with the construction of new processing capacity, we think that the Government has a moral obligation to bring the basic quotas for the mainland cane and beet areas into line with their enlarged productive capacity. This can be done in a relatively short time without reducing existing allocations to foreign countries; however, it should be recognized that other countries have no vested right to the full amount of their current allocations.

We are not a party to the so-called industry consensus which would grant the mainland cane and beet areas "one shot" increases totaling 580,000 tons and suspend the operation of the growth formula until

total consumption reaches 10.4 million tons. This approach would ease the existing situation, but it would mean further acreage cuts for producers.

Despite the buildup that has occurred in sugar stocks, the proposed quotas are substantially below 1964 production levels. They apparently are also insufficient to prevent a further buildup in sugar stocks even though the 1965 crop has been reduced by acreage restrictions.

It should also be noted that the acreage allocations made to new areas from the national sugarbeet acreage reserve will not be fully effective until next year. Representatives of the beet-processing industry made a strong case last year for an increase of 750,000 tons, which is exactly twice the increase now proposed for the beet quota.

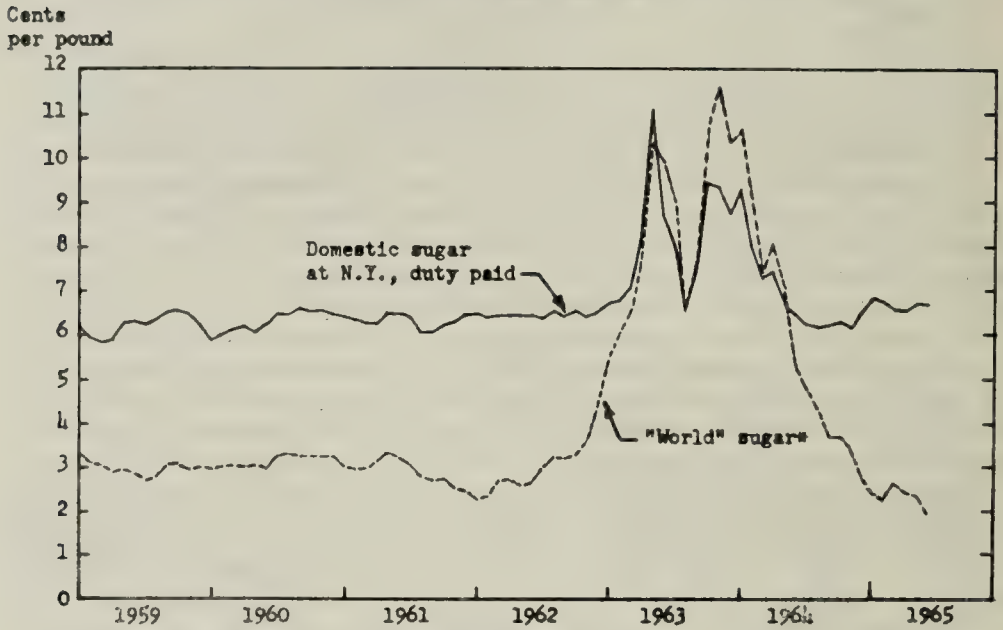
In order to adjust domestic quotas to the expanded productive capacity, which has been brought about by governmental action, without reducing existing allocations to foreign countries we recommend that the first 1 million tons of any increase in the present estimate of domestic requirements be allocated to the mainland cane and beet areas.

Further quota increases will be needed in the future to accommodate the demand for new acreage and the uptrend in yields that is to be expected as farming practices are improved. Accordingly, we cannot agree with those who say that any increases in basic quotas granted at this time should be repaid by suspending the growth formula for several years to come. Growers should not be penalized for an expansion that was encouraged by the Government.

On the contrary, we believe that it would be wise to provide greater opportunity for the orderly development of domestic sugar production by increasing the portion of the growth in consumption that is reserved for domestic producers from 65 to 75 percent.

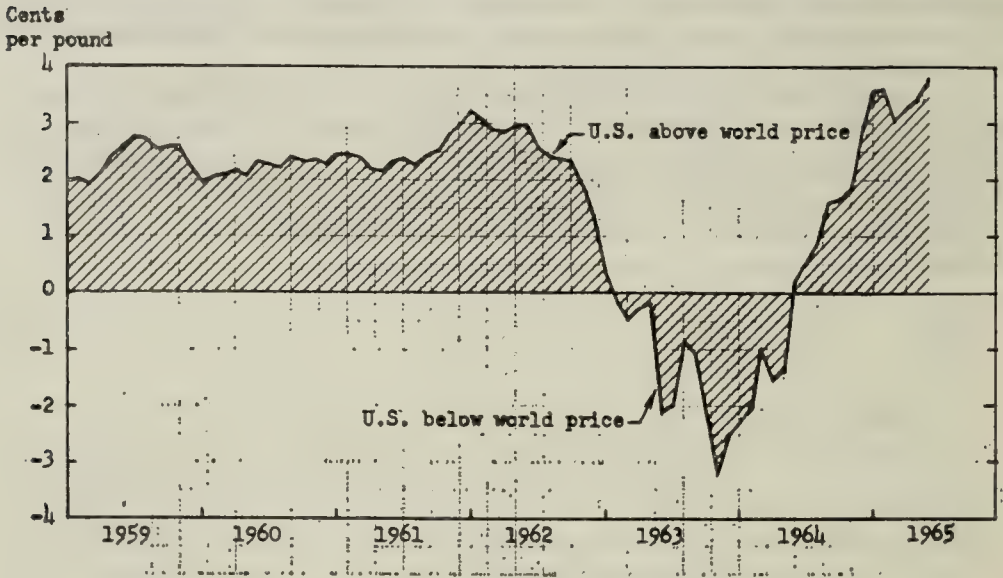
The need to find new and better uses for our excess productive land should be obvious to anyone. More than \$3 billion of Federal funds will be expended, during the 1965 crop year, to cut back production of feed grains, wheat, and cotton with negligible results. We should permit our farmers to expand their acreage of both sugarbeets and cane.

CHART 1. SPOT PRICES FOR RAW CANE SUGAR, BY MONTHS,
JANUARY 1959-JUNE 1965



*Cuban basis, 1959-60 ; Caribbean basis, 1961-65.

CHART 2. U.S. SUGAR QUOTA PREMIUMS AND DISCOUNTS, BASIS WHOLESALE PRICES
AT NEW YORK AND WORLD RAWS, BY MONTHS, JANUARY 1959-JUNE 1965



Examples of how quota premiums and discounts are computed:

[Cents per pound]

	February 1964	June 1965
Domestic price, duty paid, New York	8.02	6.72
Minus, duty	.625	.625
Plus, bag allowance	.055	.055
Minus, shipping charges	.36	.39
Domestic price adjusted to world basis	7.09	5.76
World price	9.11	1.96
Quota discount	2.02	
Quota premium		3.80

Senator LONG. Thank you very much, Mr. Lynn.

Our next witness is Mr. John A. O'Donnell, representing the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.

STATEMENT OF JOHN A. O'DONNELL, GENERAL COUNSEL, PHILIPPINE SUGAR ASSOCIATION AND THE NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. O'DONNELL. Mr. Chairman and members of the committee, I am John A. O'Donnell, of Washington, general counsel of the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines. I have appeared before this committee on earlier occasions in connection with proposed sugar legislation, but it might be well again to describe the interests I represent.

The Philippine Sugar Association embraces 25 leading processing mills in the Philippines. The federation is made up of representatives of more than 35,000 planters who are small independent farmer-businessmen engaged in growing sugarcane.

Let me emphasize that my clients here are these two sugar producer associations. I do not represent the Government of the Republic of the Philippines in this hearing.

Philippine producers understand and respect the programs the U.S. Congress adopts for the benefit of beet and cane sugar producers of the United States whether on the mainland or in Hawaii, Puerto Rico, or the Virgin Islands. The requests of Philippine sugar suppliers are directed only toward sugar import requirements of the United States.

I appreciate the tremendous pressure under which you and your committee are operating and your desire to complete these hearings quickly. Accordingly, I shall be as brief as the interest of my clients will permit.

Mr. Chairman, today a large part of the economic future of the Philippines and many vital interests of the United States are in your hands. For a period of years, imports of Philippine sugar into the United States were restricted both by the Philippine Trade Act of 1946 and by the quotas established under the Sugar Act. Those limitations amounted to 980,000 short tons, raw value. In the revised Trade Agreement of 1955 that restriction was eliminated, and it was provided that sugar importations—

shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

One apparent misunderstanding of the position of Philippine sugar under the Philippine-American trade agreement is evident from the debates in the Congress, when some of the Members gave the impression that the quantity of Philippine sugar coming in the United States, having been fixed by that agreement, cannot be changed by Congress.

The fact is that the agreement specifically provides that any increase in the Philippine sugar quota is left to Congress to determine. Article II of the agreement provides on this point as follows:

The establishment herein of the limitations on the amounts of the Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

In accordance with the decision of this committee, Congress increased the Philippine quota to 1,050,000 tons in 1962. Our industry, growers, and processors alike, appreciated that increase. I wish to call your attention to the fact, however, that the Philippine import quota is still 200,000 tons below the peak reached before controls were inaugurated in 1934. The Philippine quota is further below the 15.41 percent of U.S. consumption that it equaled under the Sugar Act of 1937. For these reasons and because of the fact that the Philippines are now the largest foreign supplier of sugar to the American market, I think it is worth while for this committee to take a few moments to examine the Philippine quota problem.

The Philippines were supplying sugar to the American market before the Spanish-American War, but the growth in the industry came after that war. The major expansion of the Philippine sugar industry came in the 1920's and the early 1930's. Both the development and the rehabilitation of the industry after World War II were based on shipments to the continental United States.

In 1933, the year before the Jones-Costigan Act was passed, the continental United States imported 1,249,000 tons of Philippine sugar. I want to emphasize the fact that actual imports in 1933 were 200,000 tons above our present quota.

Under the restrictive programs of the late 1930's, imports from the Philippines were cut to 1,088,000 tons in 1934 and were held below 1 million tons from then until they were stopped by World War II.

Even under the Sugar Act of 1937, however, the Philippine import quota equaled 15.41 percent of total continental U.S. requirements. If we accept the forecast of a well-known private sugar authority that 1965 distribution will approximate 10 million tons, then the Philippines prewar share would exceed 1,500,000 tons.

When the U.S. Government found it necessary in the summer of 1960 to stop taking sugar from Communist Cuba, the Philippine sugar industry was allotted by Congress 15 percent of the Cuban deficit, and it responded by supplying the United States with 1,165,000 tons in 1960 and 1,356,000 tons in 1961. Thereafter they supplied the United States with 1,256,000 tons in 1962; 1,195,000 tons in 1963, and 1,219,000 tons in 1964.

When world sugar prices got out of control in 1963, the Philippine industry not only shipped the United States more sugar than called for by their basic quota but, like the beet and mainland cane industries of the United States, undertook a further expansion program to

supply the American market. Philippine production is now geared to a level of around 2 million tons. After allowing 600,000 tons for consumption in the Philippines, this should leave around 1,400,000 tons available for exportation.

Let me point out that the figure of 980,000 short tons, raw value, provided for by the Trade Agreement Act of 1946, was an appropriate figure for the early postwar rehabilitation period. This looked pretty good to a country flat on its back. However, it took the Philippines 13 years to rehabilitate their industry and it was not until 1954 that this quota was filled.

During the 13 years after Pearl Harbor, the Philippines were unable to market in the United States some 8 million tons of sugar of approximately a billion dollars in value. This quantity of sugar was filled by other foreign suppliers.

Also, the 1,050,000-ton quota provided for by the 1962 amendments to the Sugar Act gave much needed relief. I want to emphasize, however, that a quota of 1,050,000 tons is not sufficient to meet the export requirements of the Philippines today and it will be still less adequate in the future.

Let us look at the statistics. From 1948 to date the basic Philippine quota has been increased 70,000 tons. In the meantime, domestic distribution has risen by 2.5 million tons, and the Cuban quota of 3.1 millions tons has been distributed among other suppliers. All told, the quotas of other areas have been increased by around 5.5 million tons, while the quota for the Philippines has been increased only 70,000 tons. We are glad to see other new areas given an opportunity to develop sugar-exporting industries. In all frankness, however, we do feel that the Philippines should at least be restored to their 1933 position which amounted to 1,249,000 tons.

I know that your committee is being asked for larger quotas by many sugar-exporting countries. Accordingly, I believe every claimant should state its case clearly and factually, so that your committee will be in a position to decide issues on their merits.

Philippine sugar comes to refiners in the deficit area of the eastern seaboard. Moreover, the Philippine industry is undertaking to adjust its exports to the seasonal consuming requirements of the American market. When Cuba was the major supplier to the United States it performed this function. With Cuba out of the picture, however, every supplier to the U.S. market, including the Philippine industry, must be prepared to schedule its shipments in accordance with the seasonal requirements of this market. For its part, the Philippine industry has undertaken a program of contracting additional warehouses to carry more of their sugar from the period of harvest to the period of heavy U.S. consumption.

Congress has shown a keen and proper interest in the economics of our foreign suppliers. Therefore, I shall address myself to the subject. As pointed out above, we have 25 important processing mills and 35,000 planters. Most of our planters are small independent farmers with average sugarcane enterprises of around 25 acres each.

The quota that the Republic of the Philippines receives for importing sugar in the United States is divided among individual producers by the Sugar Quota Administration of the Philippine Government. Workers in the sugar industry are covered by minimum wage laws.

The various sugar associations maintain research and development programs. They also support health and welfare programs, and provide hospitals, schools, churches, and facilities for sports, entertainment, and cultural activities.

During World War II the sugar industry of the Philippines was almost completely destroyed. Since the war it has been rebuilt and it is estimated that the present investment in the industry amounts to \$750 million. Approximately 3 million people, or more than 10 percent of the entire population of the Republic of the Philippines, are dependent upon sugar for a livelihood. Many banks, insurance companies, shipping companies, and other commercial institutions and their workers depend upon sugar for all or an important part of their income. Even for the Philippine Government, the sugar industry is the major source of revenue.

Because of the necessity of giving employment to a large number of people and the necessity of maintaining the economies of the established areas of production, it has not been possible for the Philippine sugar industry to adopt many of the labor-saving methods employed elsewhere or to abandon high-cost areas. For these reasons it is generally recognized that the Philippine sugar industry has a high cost of production which makes it utterly impossible for it to undertake to compete on the world market at today's prices.

A study by the U.S. Department of Agriculture substantiates the conclusion which has been reached in this statement. Its report, published as early as February 14, 1964, states:

The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the Republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960 it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar production is relatively high cost.

The development of trade between the Philippines and the United States is a part of the recognized national policy of both Governments. A joint communique of President Johnson and President Macapagal issued October 6, 1964, stated in part that:

The two Presidents looked to developments in the trade between their respective countries * * *.

The Philippines have long been an important customer of the United States. In 1963 Philippine imports from the United States were valued at approximately \$320 million. Philippine imports of American farm products amounted to approximately \$54 million. Important items in this group were \$17,400,000 worth of wheat, \$14 million worth of cotton, \$15,700,000 worth of milk and cream.

Sugar is the major product the Philippines have to export to the United States in payment for the American products they buy. At the current prices the sugar that the Philippines can sell to the United States under their present quota should yield about \$125 million in foreign exchange or nearly 40 percent of the value of American products imported by the Philippines in 1963. Therefore, the Philippine

sugar quota must be increased if the United States-Philippine trade policy announced by President Johnson and President Macapagal is to be carried out.

The Philippines are unique among the foreign sugar-supplying countries in that they are the only such country that formerly was a part of the United States. The Philippines have been a part of our economic, cultural, and political heritage. In the hours of supreme national decision the Philippines have had no trouble in deciding whose side they were on.

During this period of contest between freedom and communism, with many nations perhaps undecided, the Philippines have made their decision clear. Communism is barred by law in the Philippines. The Republic of the Philippines does not have diplomatic relations with a single Communist country. Neither does it permit trade.

I shall not take the time to recount the joint efforts and sacrifices of the United States and Philippine forces during World War II, with which you are all so familiar.

I wish to remind you, however, that in 1950 the Philippines was the first among our friends to send a battalion of soldiers to fight beside the U.S. forces in the Korean campaign.

Today, Philippine medical and civilian action teams are in Vietnam and legislation is before the Philippine Congress to send a battalion of troops.

The Philippine Government is undertaking to help in Vietnam despite the fact that its own territory is being infiltrated by spies, saboteurs, and propagandists who are trying to destroy Malaysia, interfere with our efforts in Vietnam, and in fact, to defeat the entire SEATO program which the Government of the United States finds so necessary. We can be confident that the Philippine Government will cope with these infiltrators and propagandists.

By far the most important feature of all is that the Philippines are the staging areas for our military operations in Vietnam, and indeed, throughout southeast Asia. Our forces move out from our bases located at Clark Field and at Subic Bay. Our wounded are returned to the hospital installations at Clark Field that are generally referred to as the "Walter Reed" of the Far East. The confidence that these great strategic bases are in friendly territory far outranks in importance the billions of dollars spent in erecting those bases.

The friendship and cooperation that the United States has received from the Philippine Government and the Philippine people as a whole have been based on their convictions and their belief in our way of life. In these troublesome times, it is imperative that we give economic strength to our reliable friends, particularly those in distant strategic areas. When allocating sugar import quotas among foreign countries, I am confident that this committee and the U.S. Congress will further strengthen the cooperative relationship between the United States and the Republic of the Philippines.

Mr. Chairman, since the above statement was prepared I have had an opportunity to study H.R. 11135 which embodies the recommendations of the House of Representatives for amending the Sugar Act. The bill suggests that the Philippines be permitted to participate to a slight but limited extent in future growth of the domestic market and to maintain approximately its present position in filling deficits.

Under the Philippine Trade Revision Act of 1955 as I stated before, the responsibility for determining the quotas for the Philippines appears to rest solely with the Congress. Therefore, I ask that you give the Philippine quota provisions your careful study.

H.R. 11135 would permit the Philippines to supply 10.86 percent of the amount by which the U.S. requirements exceed 9,700,000 tons but in no event could such increase in the Philippine quota exceed 76,020 tons.

Mr. Chairman, I have already called your attention to the fact that actual imports into the United States from the Philippines have been well in excess of the basic quotas from 1960 to date, despite the fact that from 1960 through 1962 the Philippines had to plan their production on the basis of a 980,000-ton quota and since then they have had to plan on the basis of 1,050,000.

In December 1964, all of the foreign quotas under the Sugar Act amendments, except the Philippines, expired. The Philippine quota, like the domestics, runs until December 1966. In addition, the so-called global quota fell by the wayside, whereupon this Cuban reserve of roughly 1½ million tons was distributed among the foreign suppliers, except the Philippines. Under a USDA formula based on performance, giving one credit for 1963 and two credits for 1964, the Philippines qualified on the record but since their quota did not expire until December 1966, like the domestics, they were passed over. If this performance interim formula was applied to the Philippines, as to many who started at zero, we would receive 161,000 tons. The Philippines got nothing and it hurt.

If they received credit for the amounts by which their shipments exceeded their basic quotas for the average of the past 5 years, they would receive an immediate increase of 214,000 tons.

The Philippine industry is proud of its record of supplying sugar to the U.S. market despite the modest and fixed quota on which it necessarily based its production programs. Frankly, our industry does not understand why it should fail to be rewarded as others are for having performed as a regular and emergency supplier of sugar during the past several years.

How can you call upon the Philippine sugar producers in 1960 in an emergency to supply 15 percent of the Cuban cut, and in 1964 distribute approximately 1½ million tons of Cuban sugar with the expiration of the foreign deficits in December 1964 (except the Philippines) without giving them a pound, since their quota was tied to the domestics (1966)? And now in 1965 you are again about to tell them that under a formula that qualified you, nevertheless, your basic quota will remain in a straitjacket. We have no emergency, we do not need you.

The Philippine industry is very disappointed that it alone, among foreign suppliers, appears to have been excluded from participation in the reallocation of the Cuban reserve quota.

We agree with H.R. 11135 to the extent that we favor the granting of quotas to aid underdeveloped countries. Let me remind you that the Philippines is an underdeveloped country.

Mr. Chairman, I shall not comment further on the proposed bill. To simplify the issue, I recommend that on the basis of fairness, reasonableness, and consistency that the Congress increase the Philippine basis sugar quota from 1,050,000 tons to not less than 1,100,000 tons.

May I offer my thanks and that of the Philippine millers and planters, for whom I have appeared, for this opportunity to address you and for the consideration which I am confident you will show them.

(The supplemental statement filed by Mr. O'Donnell follows:)

SUPPLEMENTAL STATEMENT

LEGISLATIVE PROPOSALS AND THE PHILIPPINE SUGAR INDUSTRY

THE HOUSE BILL CUTS THE PHILIPPINES BELOW ADMINISTRATION RECOMMENDATIONS

In fairness to the sugar industry of the Philippines, and also to set the record straight for the Congress in its consideration of the proposed 1965 amendments to the Sugar Act, the following items are submitted:

Item: H.R. 10496, introduced August 17, 1965, contained recommendations by the executive departments for a modest increase for the Philippines for the first time in the following particulars:

(The basic quota of the Philippines remains the same—1,050,000 short tons). The Philippines, for the first time, were included as a participant in the growth. The bill provides that the Philippines will receive 10.86 percent to the extent of 700,000 tons, following a determination by the Secretary of requirements above 9,700,000 tons. For example, if the Secretary determines that the consumption estimate is 9,800,000 tons, the Philippines will pick up 10,860 short tons, etc., up to 10.4 for a maximum of 76,020,000 tons. This is a limited participation in the future growth of the domestic market.

Under this bill, the Philippines maintains approximately its present position in filling deficits.

Item: House bill cuts Philippines. H.R. 11135, September 17, 1965, reported out of the House Agriculture Committee, gives the Philippines materially less than the so-called administration measure (H.R. 10496) in the following respect: Section 13 of the administration measure states that all provisions of the law shall become effective January 1, 1965, whereas H.R. 11135 (the House committee bill) provides, under section 13, that the "amendments made by section 4 (deficits) of the act shall become effective January 1, 1966." Unquestionably, it was the intention of those responsible for the administration measure (H.R. 10496) that the Philippines should participate in 1965 deficits, as provided in section 4, to the extent of 47.22 percent as against 31.4 percent now applicable under the present law. Since the Puerto Rican deficit is conservatively estimated at 330,000 tons, this would mean, under the administration bill, the Philippines would be allocated 155,826 tons as against 103,620 tons under the present law, or a net loss of roughly 52,000 tons.¹

Item: Why is the Philippine quota so large?

The Philippines today is not only the largest but oldest foreign supplier to this market starting before the Spanish-American War, but the growth of the industry came after the war. The Philippine quota to the United States reached its peak in 1937 when it was allotted 15.41 percent of U.S. consumption. If we accept the forecast of a well-known private sugar authority that 1965 distribution will eventually exceed 10 million tons, then the Philippine prewar share would exceed 1,500,000 tons.

World War II literally wiped out the Philippine sugar industry. In 1946, under a trade agreement of the same year, a quota of 980,000 tons was provided. This looked pretty good to a country flat on its back. However, it took the Philippines 13 years to rehabilitate their industry and it was not until 1954 that this quota was filled.

During the 13 years after Pearl Harbor, the Philippines were unable to market in the United States some 8 million tons of sugar of approximately a billion dollars in value. This quantity of sugar was filled by other foreign suppliers.

Item: The Philippines found themselves in a straightjacket subsequent to 1954, tied to the 980,000 tons.

When the Philippine trade agreement came up for revision in the 1st session of the 84th Congress, there was inserted a proviso in the Philippine Trade Revision Act of 1955, article II, paragraph 1, as follows:

¹ This matter is now moot, since the Secretary of Agriculture has declared the Puerto Rican deficit (Oct. 8, 1965) under the terms of the present law.

"The establishment herein of the limitations on the amounts of Philippine raw and refined sugar that may be entered, or withdrawn from warehouses, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future."

Based on the foregoing, the Philippines have always looked to Congress for assistance for their principal industry. H.R. 11135 would again place the Philippines in a straightjacket, as far as this market is concerned, for the next 5 years, while all the other suppliers, by and large, participate in the Cuban reserve.

One apparent misunderstanding of the position of Philippine sugar under the Philippine-American Trade Agreement is evident from the debates in the Congress, when some of the Members gave the impression that the quantity of Philippine sugar coming into the United States, having been fixed in that agreement, cannot be changed by Congress.

The fact is that the agreement specifically provides that any increase in the Philippine sugar quota is left to Congress to determine. As a matter of fact, it was Congress, in 1962, that gave the Philippines 70,000 tons, making their basic quota 1,050,000 tons.

Item: Let us look at the statistics. From 1948 to date, the basic Philippine quota has been increased 70,000 tons. In the meantime, domestic distribution has risen by 2.5 million tons and the Cuban quota of 3.1 million tons has been distributed among other suppliers. All told, the quota of other areas has been increased by 5.5 million tons, while the quota for the Philippines has been increased only 70,000 tons.

Philippine sugar comes to refiners practically exclusively in the deficit area of the eastern seaboard and to this extent has scheduled its shipments in accordance with seasonal requirements.

Item: When the U.S. Government found it necessary, in the summer of 1960, to stop taking sugar from Communist Cuba, the Philippine sugar industry was called upon and allotted by Congress 15 percent of the Cuban deficit, and it responded by supplying the United States with 1,165,000 tons in 1960 and 1,356,000 tons in 1961. Thereafter, they supplied the United States with 1,256,000 tons in 1962; 1,195,000 tons in 1963, and 1,219,000 tons in 1964.

A study by the U.S. Department of Agriculture substantiates the conclusion which has been reached in this memorandum. Its report, published as early as February 14, 1961, states:

"The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960 it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar production is relatively high cost."

When world sugar prices got out of control in 1963, the Philippine industry not only shipped the United States more sugar than called for by their basic quota but, like the beet and mainland cane industries of the United States, undertook a further expansion program to supply the American market. Philippine production is now geared to a level of around 2 million tons. After allowing 600,000 tons for consumption in the Philippines, this should leave around 1,400,000 tons available for exportation.

The Philippines ships no sugar to markets other than the United States. As pointed out in the report of the Department of Agriculture of February 14, 1961, "Philippine sugar production is relatively high cost."

Item: In December 1964, all of the foreign quotas under the Sugar Act amendments, except the Philippines, expired. The Philippine quota, like the domestics, runs until December 1966. In addition, the so-called global quota fell by the wayside, whereupon this Cuban reserve of roughly 1½ million tons, was distributed among the foreign suppliers, except the Philippines. Under a USDA formula based on performance, giving one credit for 1963 and two credits for 1964, the Philippines qualified on the record but since their quota did not expire until December 1966, like the domestics, they were passed over. If this performance

interim formula was applied to the Philippines, as to many who started at zero, we would receive 161,000 tons. The Philippines got nothing and it hurt.

Item: The development of trade between the Philippines and the United States is a part of the recognized national policy of both Governments. A joint communique of President Johnson and President Macapagal, issued October 6, 1964, stated in part that "The two Presidents looked to developments in the trade between their respective countries * * *."

The Philippines have long been an important customer of the United States. In 1963 Philippine imports from the United States were valued at approximately \$320 million. Philippine imports of American farm products amounted to approximately \$54 million. Important items in this group were \$17,400,000 worth of wheat, \$14 million worth of cotton, \$15,700,000 worth of milk and cream.

Sugar is the major product the Philippines have to export to the United States in payment for the American products they buy. At the current prices the sugar that the Philippines can sell to the United States under their present quota should yield about \$125 million in foreign exchange or nearly 40 percent of the value of American products imported by the Philippines in 1963. Therefore, the Philippine sugar quota must be increased if the United States-Philippine trade policy announced by President Johnson and President Macapagal is to be carried out.

The Philippines are unique among the foreign sugar supplying countries in that they are the only such country that formerly was a part of the United States. The Philippines have been a part of our economic, cultural, and political heritage. In the hours of supreme national decision, the Philippines have had no trouble in deciding whose side they were on.

Item: During this period of contest between freedom and communism, with many nations perhaps undecided, the Philippines have made their decision clear. Communism is barred by law in the Philippines. The Republic of the Philippines does not have diplomatic relations with a single Communist country. Neither does it permit trade.

Item: In these troublesome times, mention should be made of our military bases agreement with the Republic of the Philippines, permitting us to maintain and operate military bases there. These bases are of the greatest importance and utility to our Armed Forces and to our defense position in the Far East. They are on the direct route between our country and South Vietnam. Not only is Clark Air Base vital to our 13th Air Force, and Subic Bay and Sangley Naval Bases to our 7th Fleet, but we derive special advantages in their use and operations because of the close relationship and association which our two countries and our people have enjoyed in the past. Ten thousand Filipinos at this moment are serving in our Navy. Thousands of Filipino civilians and technicians are employed at our military bases.

CONCLUSION

How can you call upon the Philippine sugar producers in 1960 in an emergency to supply 15 percent of the Cuban cut, and in 1964 distribute approximately 1½ million tons of Cuban sugar with the expiration of the foreign deficits in December 1964 (except the Philippines) without giving them a pound, since their quota was tied to the domestics (1966). And now in 1965 you are again about to tell them that under a formula that qualified you, nevertheless, your basic quota will remain in a straitjacket. We have no emergency, we do not need you.

RECOMMENDATION

On the basis of fairness, reasonableness, and consistency, that the Congress increase the basic sugar quota of the Philippines from 1,050,000 tons to not less than 1,100,000 tons.

This recommendation is further strengthened by allegations that the Senate is going to request some 20,000 tons out of the Puerto Rican deficit for allocation to mills in Florida whose investments are proving unprofitable.

The Filipino people have never put a price tag on their loyalty. Neither do they like to be outside, looking in. It is up to the Congress.

PHILIPPINE SUGAR ASSOCIATION

(25 processing mills).

NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

(35,000 planters, independent small businessmen).

JOHN A. O'DONNELL, Counsel.

Senator LONG. Thank you Mr. O'Donnell.

We are pleased to have as our next witness Mr. Oscar Chapman, who appears in behalf of the Association of Sugar Producers of Mexico.

STATEMENT OF OSCAR L. CHAPMAN, COUNSEL, ASSOCIATION OF SUGAR PRODUCERS OF MEXICO

Mr. CHAPMAN. Mr. Chairman and members of the committee, my name is Oscar L. Chapman. I am appearing before you once again on behalf of the Association of Sugar Producers of Mexico, which, together with the people of Mexico, has a very vital stake in this legislation. Before getting into the body of my testimony, I would like to make one point very clear: I do not represent the Government of Mexico in this proceeding.

I would like to briefly discuss with you the question of where, how, and by what means the United States should acquire its foreign sugar supplies: In this connection, I will make the following two points:

(1) The sugar producers of Mexico hope that the foreign quotas will be allocated on the basis of some measurable objective formula, such as that contained in the administration bill, and

(2) No matter what objective criteria are used in such a formula, Mexico deserves to be one of the largest sugar suppliers as it would be under the administration bill.

Let me turn now to my first point; that is, that the foreign sugar quota should be allocated on the basis of some measurable objective formula. In my view, one of the fundamental problems with the sugar legislation has been the absence of such a formula. It has sometimes been suggested that various economic or political criteria or some combination of economic and political factors should be used in setting sugar quotas for foreign countries.

However, these have never been precisely stated or generally accepted by Congress. Because Congress itself appeared to be uncertain about what considerations were relevant, the representatives who appeared before them could never be sure of the issues to which they should address themselves. This uncertainty has produced a number of undesirable side effects, not the least of which is that the subject of sugar has absorbed large amounts of the time of an already overworked Congress. In the end, quotas have been allocated, but no one has been entirely sure what caused one country's quota to be higher or lower than another country's quota.

Having defined the problem, we can move on to the next question; namely, what can be done about it? The answer is that the best cure is for Congress to allocate the foreign quotas on the basis of some measurable, objective formula. If this is done, a country's quota will simply depend upon the extent to which it meets the requirements in the formula. When this is clearly understood by everyone, no extended discussion of the subject will be required. Every country will know how its quota is set, and so will the general public, both here and abroad. The advantages of this system are obvious.

Assuming that the formula approach is adopted, what type of formula should be used? This brings me to my second and final point, and that is, that no matter what criterion is used, so long as it is meas-

urable and objective, it will be clear that Mexico should be among the foremost suppliers.

The allocation of quotas in the administration bill is an excellent example of how such a formula can work. The administration chose a formula based upon sugar deliveries during the period 1963-64, with double weight for 1964, the period of greatest scarcity. Not only is such a formula objective and measurable, but also it has the virtue of redeeming an earlier administration commitment. On November 5, 1963, when the price of sugar was higher on the world market than on the U.S. market, and foreign countries could only ship to the United States at a considerable sacrifice, the Department of Agriculture issued a press release stating in part—

the extent to which foreign countries supply our import requirements next year as needed will have a bearing on recommendations for new legislation (USDA press release, 3707-63, Nov. 5, 1963).

Other communications were also sent to foreign suppliers, and in both the press release and the other communications the meaning was made clear: Those countries which are willing to take a loss in 1964 by selling their sugar to the United States instead of on the world market will be rewarded with higher quotas when the Sugar Act is reconsidered in 1965. This was clearly a proper action on the part of the administration. The U.S. market needs dependable suppliers. In this connection, I am happy to report that Mexico, more than any other supplier, sacrificed its own financial interests in order to supply the U.S. market in 1964. Accordingly, Mexico is gratified to see that the administration is attempting to redeem its pledge in its bill.

It seems clear then that the administration has devised a formula which takes into account the most relevant factors. Other factors might reasonably be considered, but no matter what criterion is used, it is clear that Mexico should be one of the leading foreign suppliers. Thus, one might consider balance of trade—Mexico purchases over twice as much from the United States as the United States buys from it, and has a total trade deficit with the United States in excess of \$1.5 billion over the past 5 years. One might consider total purchases from the United States—Mexico buys over twice as much from the United States as the next largest Latin American purchaser. Or purchases of agricultural products might be thought relevant—Mexico not only purchases more agricultural goods from the United States than any other Latin American country, but also purchases almost half again as much as the next largest purchaser. Because of the gold flow problem one might also wish to consider the percentage of total imports purchased from the United States. Here, too, Mexico leads the list of Latin American countries by a wide margin, purchasing almost 70 percent of its imports from the United States.

There are several other points which need comment, but time limitations will not permit me to discuss them with you today. However, we have prepared a somewhat longer statement covering these points which I ask permission to have incorporated in the record.

In conclusion, I wish to thank this committee, its members, and staff, for the opportunity to appear before you and present the views of the sugar producers of Mexico on this legislation which so vitally affects them.

(The supplemental statement of Mr. Chapman follows:)

SUPPLEMENTAL STATEMENT OF OSCAR L. CHAPMAN

The principal points I wish to make for Mexico have already been covered in my oral testimony. However, there are certain other points which, strictly speaking, are not before the committee, but which are constantly cropping up and which I believe deserve some comment.

The first of these is what I call the myth of the world market. In recent years, every time Congress has begun to consider sugar legislation, there has been considerable discussion about the world market. For the most part this discussion has been based upon the theory that the actual economic price for sugar is the so-called world market price. Accordingly, it is sometimes argued that anything that a foreign producer receives above the world market price is in the nature of a gift from the people of the United States. Since the U.S. market price is usually substantially higher than the world market price, it is assumed that a very substantial gift is being made to foreign producers. Recently this differential has even been referred to as the foreign aid component of the sugar price.

I wish there were some way to explode the world market myth once and for all because it has caused a great deal of misunderstanding of the sugar market. Perhaps the difficulty arises in part from the fact that the term "world market" seems to imply that there is one large marketplace in which the world sugar is sold, and that every country except the United States buys its sugar in that marketplace paying world market price. Nothing could be further from the truth. In fact, only about 15 percent of the world's sugar is sold in the world market at the world market price, and over half of this is sold by Cuba and the Communist bloc. The remaining 85 percent is sold in preferential markets at prices approximating the U.S. price.

The statistical breakdown runs something like this. The world supply of sugar amounts to something more than 60 million tons. Approximately 70 percent (42 million tons) is consumed in the country in which it is produced at premium prices. The remaining 30 percent moves in international trade, but more than one-half of this (about 17 percent of the world supply, or 10 million tons) is sold in preferential markets such as the United States, Britain, France, or the Soviet Union, under some sort of quota system at prices approximating the U.S. price. Accordingly, this leaves only about 13 percent (8 million tons) of the world sugar supply to be sold on the so-called world market. At least one point then should be clear: Only a very small part of the world's sugar supply is actually sold in the world market at world market prices.

Even this does not tell the whole story, because of those countries which actually sell on the world market few, if any, sell at a profit. In this connection, it should be noted that there appear to be two principal reasons why countries sell sugar on the world market. First, a number of countries which sell the majority of their sugar in preferential markets inevitably have some left over, and so they sell their surplus in the world market for whatever price they can get. With some exceptions, this appears to be the primary factor which motivates countries selling sugar to the United States to also sell in the world market. Absent the various preferential markets, this sugar in the long run would not be available. The second group of countries which sell in the world market are those, principally in the Communist bloc, which are so short of foreign exchange that they will dump sugar on the world market below cost simply to earn hard currency. This accounts for the fact that more than one-half of the sugar sold on the world market is sold by Cuba and the Communist bloc. Under our present import policies, this sugar would in no event be available for the U.S. market. It can thus be seen that except for the Communist bloc, few countries actually grow sugar for sale on the world market at world market prices. Accordingly, the United States could not hope to obtain its sugar supplies from this source, or at this price.

The second point I would like to address myself to is the question of whether the United States should impose an import fee on imported sugar. In recent years we have frequently heard such proposals. This year the import fee proposal has been opposed by the administration, the House of Representatives, and all segments of the sugar industry, both domestic and foreign. Nonetheless, we have heard several new proposals to impose such a fee. Accordingly, through an abundance of caution, I am setting out my reasons for opposing such a fee.

All proposals to impose an import fee have been based upon the theory that the world market price is the price at which sugar should be sold. Some pro-

ponents of the fee have suggested that only one-half or three-quarters of the difference between the low world market price and the usually higher U.S. price should be "recaptured," or that the amount of the fee should not exceed a specified figure, e.g., 1 cent per pound. They all have proceeded, however, on the erroneous theory that foreign countries can make a profit on the world market, and that anything they receive above the world market price is in the nature of a gift.

This year the foreign sugar suppliers have submitted their cost figures to the Library of Congress, and it has been shown that, if such a fee were applied, it would reduce the return of foreign suppliers below cost in many, if not most, cases. Accordingly, if the United States wishes to continue to receive a stable supply of sugar from foreign sources on a permanent basis, it cannot make the U.S. market unprofitable for foreign suppliers. The import fee would do just that.

The next question I would like to address myself to is why it is necessary to have country quotas. Almost every time sugar legislation is being considered in Congress, this question is raised. There are those who wonder why we cannot simply take whatever sugar we can get from anywhere in the world. The reason that country quotas are necessary is that the United States requires a stable supply of sugar. Without this, prices fluctuate widely, as they did in 1963-64 under the global quota system. In order to have a stable supply it is necessary to guarantee suppliers a specified portion of the U.S. market. This is true because growing sugar in any country requires a very substantial investment. (Sugarcane, for example, takes between 12 and 24 months to mature.) Few sugar producers would want to make such a large investment so far in advance without knowing that they were going to have some place to sell their sugar at a reasonable price when it finally matured. Accordingly, the stable market principle is a two-way street; if the United States wishes to have a stable supply, it must provide a stable market. Only set country quotas which guarantee each country the right to export a specified amount of sugar to the United States will provide such a market.

The last point I would like to comment upon is whether Congress or the executive branch should set foreign quotas. Occasionally we hear suggestions that the obligation to set quotas should be transferred to one or more of the executive departments. It seems to me, however, that if the quota setting function were transferred to the executive branch, the agencies responsible for setting the quotas would be subjected to daily pressures. Every time a new international agreement on military bases, foreign trade, or communications was being negotiated, some countries might attempt to increase their sugar quotas. Accordingly, instead of having Congress bothered once every few years, the executive branch would be bothered every day. It can thus be seen that mere transfer of the quota allocation function to the executive branch is not the answer.

As I suggested in my oral statement, however, this problem both for Congress and the executive branch, can be substantially remedied if Congress will simply adopt a measurable, objective formula by means of which the sugar quotas can be allocated. If this is done and the formula is applied across the board to every country, then the function of applying the formula to any given country in any given year could well be transferred to an executive department.

In conclusion, I want to thank the committee for the opportunity to insert this material into the record.

Senator LONG. Thank you very much for your statement, Mr. Chapman.

STATEMENT OF CHARLES H. BROWN, REPRESENTING SUGAR INDUSTRY OF FIJI

Mr. BROWN. Mr. Chairman, my name is Charles H. Brown; and I appear here today as the U.S. representative of the sugar industry of Fiji—a group of about 322 small islands (95 inhabited) which are some 2,700 miles southwest of Hawaii, 1,800 miles east of Australia, and 1,200 miles north of New Zealand.

In 1962, this committee and the Congress gave the people of Fiji an opportunity to supply sugar to the United States by granting this

little island country a permanent sugar quota of 10,000 tons and provided access for additional Fiji sugar through global quota purchases.

Fiji has asked me to express to this committee—and through you to the people of the United States—her deep gratitude for this access—a gratitude which, I suggest, they demonstrated tangibly during the worldwide sugar shortage of 1963 and 1964. During those 2 difficult years when sugar-importing countries were clamoring for supplies, Fiji delivered to the United States more than 103,000 tons of raw cane sugar—83,000 more than her basic quota for the 2 years—even though that 83,000 tons would have brought higher prices elsewhere.

Fiji is a loyal, stable, reliable source for high-quality raw cane sugar—the 10th largest sugar exporting country in the free world. Her total production last year was 348,000 tons; 360,000 in 1965; and she has the potential to produce (within the next 5 years) more than 450,000 tons. In 1964, her sugar exports totaled 340,000 tons; and in 1965 will exceed that. Her shipments to the United States this year will run almost 50,000 tons. The administration has recommended to the Congress that Fiji receive a quota under the 1965 Sugar Act of approximately 50,000 tons. This represents about 14 percent of Fiji's production; and Fiji desperately needs to maintain and, if possible, increase these shipments to the United States.

Fiji has long been a loyal friend to the United States. Fiji sons fought with American sons at Bougainville, the Solomons, and Guadalcanal. A strong U.S. force was employed to hold these strategically important islands in World War II; and many American soldiers remember Fiji well. Indeed, President Johnson was hospitalized in Suva for a short period during the war.

Under the ANZUS pact, the United States shares responsibility for the defense of Fiji with New Zealand and Australia, because these islands are the crossroads of the Southwest Pacific.

We use her harbors, her airports, and other facilities for space tracking and defense training.

In 1952–56, Fiji supplied troops to help suppress the Communist terrorists in Malaya.

It is a fact that every time we have called upon Fiji for assistance—whether it was for men, facilities, or sugar—she has responded quickly as a reliable friend and ally.

Fiji—like some other countries—is experiencing a disturbing population explosion—increasing at the rate of 3½ percent per year. There are about 456,000 people in the islands, almost the size of Hawaii in 1950; and the population is extraordinarily youthful—44 percent under the age of 15; 72 percent under 25. These young people want opportunities; and the national income must be expanded at least 3½ percent just to maintain the present modest standard of living; and, of course, it must be more if living standards are to be improved.

The only real opportunity for economic growth is agriculture, because the majority of the people look to the land for their livelihood; and the main cash product is sugar.

Sugar represents 65 to 75 percent of Fiji's total export sales; and exports comprise about half the total national income.

Fiji cane growers are independent farmers, operating some 15,000 farms averaging about 10 acres of caneland per farm; and the number of farmers has been increasing annually.

Though these farmers do not have the modern machinery that American farmers have, they are just as proud of their farms and their yields per acre; and they are just as strongly anti-Communist. They are family farmers—hard working, patriotic, and loyal to Western ideals.

Fiji's sugar mills are modern, efficient, and Fijian operated. South Pacific Sugar Mills, Ltd., is a large publicly owned company, incorporated in Fiji, and owned by shareholders in Fiji, Australia, and New Zealand. Over 97 percent of the employees of the company were born in Fiji. There are no racial problems in the mills. Relations among the ethnic groups are excellent.

South Pacific Sugar Mills buys the cane from the independent farmers under a contract arrangement proposed by an independent commission of inquiry, negotiated and accepted by the growers and the mills. The sugar is manufactured in four modern mills, and there are permanent-type storage facilities for 120,000 tons—one-third of the present production.

Fiji can ship its present annual export of 50,000 tons to the United States year in and year out without difficulty and would like to ship 100,000 tons per year to the United States, beginning in 1966.

And there is no question about Fiji's ability to supply this tonnage. She has the farms, the farmers, and the milling capacity. Right now, there are 152,000 acres in sugarcane; and there are, at least, another 180,000 acres of good sugar land accessible to existing mills; and there are ever-growing numbers of farm applicants who want to grow sugar.

Fiji desperately needs to maintain its position in the U.S. market. Where other nations have preferred remunerative markets for as much as 85 to 100 percent of their sugar (i.e., domestic consumption plus exports to the United States or Britain or other major importer), Fiji's domestic consumption takes only 6 percent of her production (20,000 tons) and her contract with Britain takes 44 percent (160,000 tons). This leaves some 50 percent of Fiji's production (180,000 tons) to be sold on a world price basis, for which Canada and New Zealand have traditionally provided some outlet. But Fiji's haunting problem is where to sell 25 percent or more of her total production at remunerative prices. An assured market in the United States for at least 50,000 tons is vitally important to the economic and social stability of Fiji.

The administration's recommended quota of 50,000 tons of Fiji is in the national interest of the United States as well as in the interest of Fiji. These Southwest Pacific islands represent one of the large sugar exporters of the free world. Fiji produces sugar—lots of it for export. And Fiji is a reliable source which has political stability. We need to maintain good relations with such major sources of sugar supplies if we are to protect American consumers against unforeseen economic and political crises which could develop at any time in some of the countries upon whom we depend for much of our sugar.

By diversifying and dispersing our sources for imported sugar among many exporting countries of the free world, we can prevent sugar rationing and unreasonable prices for U.S. consumers. Certainly, Fiji's export capability qualifies her as an important source for emergency supplies; and her performance during the 1963 and 1964 sugar shortage establishes Fiji's dependability as a U.S. supplier. That is the primary reason for the administration's recommendation of a 50,000-ton quota for Fiji.

And the more sugar the United States has bought from Fiji, the more rice, machinery, tobacco and cigarettes, chemicals, etc. Fiji has bought from the United States. In the past 4 years, her imports of U.S. agricultural commodities have increased 300 percent. The people of Fiji have purchased tobacco and canned fish from the United States for years; and now, they are importing U.S. brown rice.

SUMMARY

Fiji applies to the Congress for a quota under which she may continue to supply raw sugar to the United States and respectfully directs the committee's attention to the following considerations:

1. Fiji is the 10th largest sugar exporter in the free world and has an excellent record as a reliable supplier of sugar to many different countries for many years.

2. Fiji has been a loyal supplier to the United States. During the world shortage of 1963 and 1964, she supplied 103,000 tons—83,000 more than her quota, despite the fact that higher prices could have been obtained elsewhere for those 83,000 tons.

3. Sugar is the life blood of the Fiji economy.

4. Because of Fiji's high rate of population increase, and her limited field of available natural resources, sugar production provides the most immediate practical means for economic development and employment opportunities for the young people in the islands.

5. Beginning in 1966, Fiji offers to sell to the United States 100,000 tons of raw cane sugar per year.

6. Fiji is a small but growing customer of the United States, particularly in the field of agricultural products; and Fiji pays with cash dollars.

7. Fiji is important strategically in the Southwest Pacific and, through the years, has proved herself to be a loyal friend and ally to the United States and the free world.

Senator LONG. Thank you very much for your presentation, Mr. Brown.

Our next witness is Mr. James W. Riddell, appearing in behalf of the Indian Sugar Mills Association.

STATEMENT OF JAMES W. RIDDELL, COUNSEL, INDIAN SUGAR MILLS ASSOCIATION

Mr. RIDDELL. Mr. Chairman and members of the committee, my name is James W. Riddell. I am a partner in the firm of Dawson, Griffin, Pickens & Riddell, 731 Washington Building, Washington, D.C., attorneys. We are counsel for the Indian Sugar Mills Association, an organization of the Indian sugar industry, which by an act of Parliament of the Republic of India has exclusive responsibility for the export of Indian sugar.

India has been privileged to supply sugar to the United States since 1961. In 1961, as a result of administrative action taken by the then Secretary of Agriculture, India shipped 175,000 tons of sugar to the United States. In 1962, a total of 146,540 tons was shipped to the United States. Of this amount, 100,000 tons came in in the first half of the year pursuant to administrative action and then, pursuant to the action taken by the Congress with respect to the Sugar Act

in that year, which granted India for the first time a statutory quota in the 0.71 percent category, 8,325 tons were shipped in the second half of the year as basic quota and 38,215 tons were shipped as global quota. In 1963, 21,823 tons were shipped as basic quota, and 97,638 tons were shipped as global quota. In 1964, 20,326 tons were shipped as basic quota and 96,195 tons were shipped as global quota.

This year, again pursuant to action taken by the Secretary of Agriculture, India will be permitted to ship to the United States approximately 103,919 tons of sugar. Thus India has been a major supplier of sugar to the United States since 1961 and has averaged in excess of 100,000 tons of supply per year, or roughly five times more than the statutory quota granted her under the 1962 act.

The provisions of the bill reported by the Agriculture Committee of the House of Representatives and passed in the House yesterday, would substantially reduce the amount of sugar which India can export to the United States. If total U.S. consumption is computed at 9.7 million tons, the House bill would permit India a quota and an allocation of the Cuban quota of only 64,861 tons. If U.S. consumption is computed at 10 million tons, she would be permitted to export to the United States only 73,471 tons. The proposal of the administration, which is incorporated in S. 2567, would permit India to export to the United States a total of 97,000 tons.

The major purpose of the Sugar Act is to secure to the consumers of the United States price stability and adequate sugar supplies. The success of the Sugar Act in securing these objectives was demonstrated in 1963 and 1964, when for the first time in many years the world price of sugar rose above the U.S. price. The situation with respect to adequate supplies was so critical during this period that the Department of Agriculture issued a press release on November 5, 1963 stating, in part, that:

The extent to which foreign countries supply your import requirements next year as needed will have a bearing on recommendations for new legislation.¹

In addition, cables were sent to foreign sugar producers by the U.S. Department of Agriculture requesting advance commitments to ship stated quantities of sugar to the U.S. market during 1964. The response made by foreign sugar suppliers to these requests by the Agriculture Department formed the basis for the recommendations contained in the administration's sugar bill. The people who formulated S. 2567 are in the best position to know which suppliers fulfilled their commitments to the U.S. market and how soon during the critical period of 1963 and 1964 they did so. The time of a commitment by a foreign supplier was vital. The Department of Agriculture had to know that the sugar would be available and it had to know when it would be available. Those countries who find themselves discontented with the provisions of S. 2567 have only themselves to blame. Had they chosen, as did India, to commit to the U.S. market when requested by the Agriculture Department, they would not have cause to be concerned now about a formula based on 1963-64 and weighted 2 to 1 for 1964.

Had she chosen to do so, India too could have sold the sugar that she shipped to the United States in 1963-64 at the higher prices then prevailing in the world market, as did many of the countries who complain about the formula contained in S. 2567—but she did not. She

¹ U.S. Department of Agriculture press release 3707-1963, Nov. 5, 1963.

sold in the United States and she did so because it was good business for India.

Mr. Chairman, I do not call attention to India's performance in 1963 for the purpose of laying any claim in any way based upon gratitude. India performed in 1963 and 1964 just as she performed in 1961, 1962, and as she will perform in 1965, and in every other year for which you gentlemen see fit to grant her the privilege of selling in the U.S. market. India has performed and will perform for the simple reason that she is grateful for an opportunity to sell her sugar in the best market in the world. Furthermore, her need to sell sugar to the United States is greater than that of any other nation in the world.

I am aware that the argument has been made on behalf of others who have appeared here that because their particular clients performed in 1963 and 1964, they are now entitled to some special consideration. Mr. Chairman, in my judgment a seller who has not the sense to take a short-term loss to protect his long-term interests is not entitled as a matter of simple business to a U.S. quota for sugar. That the various foreign suppliers of the world who were privileged by the action of this committee to sell in the United States did so in 1963 and 1964, when the world price was higher than the U.S. price, simply demonstrates that the reasons for the Sugar Act are valid and its purposes fulfilled. The U.S. price is fixed with the objective of securing to the people of the United States a stable supply of sugar. Who can claim credit for having performed in such a way as to carry out the purposes of the act? India cannot and, in my view, neither can any other nation. But, Mr. Chairman, I do think it fair to examine the record of performance of each and every supplier to ascertain whether or not during the crucial years 1963 and 1964 they fulfilled their obligations to the U.S. market and how soon they chose to do so.

I pitch my case for the quota provided to India by the provisions of S. 2567 upon India's ability to deliver—fulfill its commitments to the U.S. market—upon the need of the people of India for a place in the U.S. market and upon the advantages to the people of the United States which are offered by a market of over 488 million people.

India is among the largest sugar producers in the world. If indigenous sugars, gur and Khandsari are taken into account, production is well over 7 million tons per year. Of this, over 3 million tons is centrifugal sugar produced in 226 vacuum sugar factories, and it is expected that higher production of centrifugal sugar will be achieved in the years to come. Today the annual export target for India is set at between 500,000 and 750,000 tons per year.

India is the largest sugarcane producer in the world, producing in excess of 105 million tons per year on over 5.6 million acres of land and accounting for about one-third of the world's total acreage of sugarcane. This acreage is divided between over 4½ million growers. These growers and their dependents number over 20 million people. When this number is added to those people who are directly employed by the sugar-processing industry, which is the second largest industry in India, it means that over 21 million Indian people are directly dependent on sugar for their livelihood. For a nation numbering in excess of 480 million souls, this figure is not large, but every citizen of

India has a direct interest in what this committee does with respect to India's privilege to sell sugar in the U.S. market.

India has the cane and she has the sugar. She is in a position to supply the amount of sugar which would be granted by the provisions of S. 2567. On the other hand, it is extremely unlikely that some of the countries to which a quota has been granted by the provisions of the House bill will be in a position to ship sugar in the quantities which that bill would allow. For example, past performance makes it extremely unlikely that Venezuela can supply the 30,000-ton quota which would be allocated to her by the provisions of the House bill. In 1961 her total production was 221,000 tons. On the other hand, her consumption was 218,000 tons. In 1962, she produced 231,000 tons and consumed 230,000 tons. In 1963, she produced 250,000 tons and consumed 243,000 tons. In 1964, she produced 290,000 tons and consumed 255,000 tons. Of course, I am aware of the fact that Venezuela sugar interests estimate that their 1965 production will be 374,000 tons and that they estimate Venezuelan consumption for that year will be 308,000 tons. But, if the past record of production is any indication of the validity of the estimates, I doubt that Venezuela will be in a position to supply 30,000 tons.

India needs everything. She offers the largest market in the free world, but unless she is permitted to sell, she cannot buy. Every dollar that India is permitted to earn through the export of sugar to the United States will be returned to the manufacturers, merchants, and farmers of this country in trade.

India's balance of trade with the United States is most unfavorable, as the following figures demonstrate:

United States-India trade—Balance of trade¹

[In millions of dollars]

Year	U.S. exports	India exports	Balance
1960.....	641	228	413
1961.....	483	252	231
1962.....	670	255	415
1963.....	817	295	522
1964.....	955	305	650

¹ Source: Overseas Business Reports, International Trade Analysis, Department of Commerce.

Among the sugar exporting nations of the world, India is the largest importer of U.S. agricultural commodities. The following figures indicate the extent to which U.S. agricultural products are finding a market in India:

Imports of agricultural commodities into India

[In millions of dollars]

	1961-62	1962-63	1963-64
From all countries.....	412.44	513.95	457.53
From United States.....	227.16	270.50	311.93

Imports of certain agricultural commodities into India

[In millions of dollars]

	1961-62	1962-63	1963-64
Wheat imports.....	197.13	237.49	216.00
From United States.....	172.00	214.00	208.93
Rice imports.....	39.33	56.72	42.84
From United States.....	14.00	25.00	27.76
Cotton.....	131.59	119.53	102.88
From United States.....	54.79	38.22	46.68
Corn.....	6.49	4.03	6.43
From United States.....	6.49	4.03	6.43
Tobacco.....	2.39	2.88	1.65
From United States.....	2.39	2.88	1.65

While it is true that the overwhelming bulk of these commodities are supplied to the people of India pursuant to the terms of Public Law 480, and it is true that Public Law 480 shipments and other U.S. aid accounts for India's deficit in trade with the United States, the fact remains that she cannot buy unless given an opportunity to sell.

As I have said, the people of India need everything. They offer the largest and least developed market in the free world to the people of America, but in order to purchase the goods and services offered by the businessmen and farmers of the United States, they must be permitted to earn U.S. dollars with which to do business. Sugar is the commodity upon which India is largely dependent at the present time in earning dollar revenues. The United States needs sugar, India can supply a part of the U.S. demand. India needs the goods, services, and agricultural commodities of the United States. What is needed is dollars. These can only be obtained by the opportunity to sell.

The sugar industry of India has demonstrated its ability to perform within the terms and purposes of the Sugar Act. As a nation, India is perhaps more dependent upon an opportunity to sell sugar in the United States than any other nation. The dollars produced therefrom aid more people than in the case of any other nation in the world.

Mr. Chairman, it is a well-known fact that India is not located in the Western Hemisphere and while the United States has long evidenced a special interest in those nations which lie in the Western Hemisphere, it is our hope that the members of this committee will not permit considerations of geography alone to rule their decision with respect to the allocation of sugar quotas. The Republic of India represents the largest democratic nation in Asia. The goals, hopes, and wishes of the people of India are the same as those of the people of the United States. The allocation of a 100,000-ton quota to India, such as that provided by the provisions of S. 2567, would do a great deal to help India secure the foreign exchange with which to secure its ideals.

Senator LONG. Thank you for your statement, Mr. Riddell.

Mr. Robert C. Barnard is our next witness. He appears in behalf of the Australia sugar industry.

**STATEMENT OF ROBERT C. BARNARD, REPRESENTING
AUSTRALIAN SUGAR INDUSTRY**

Mr. BARNARD. Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am grateful for the opportunity to appear before this committee for the Australian sugar industry.

Australia wants to expand its trade with the United States. It welcomes the opportunity to supply a part of the U.S. requirements for sugar and hopes that this committee will approve a quota for Australia at least as large as that provided in the administration's bill.

I have a statement that I should like to submit for the record and to summarize the points in support of a quota for Australia.

1. *Australian sugar industry.*—Australia is the free world's largest exporter of sugar. This year Australia will produce $2\frac{1}{4}$ million tons of sugar, more than two-thirds of which will be exported. Australia's sugar is grown on small family farms averaging 80 acres by 10,000 independent cane farmers located principally in the State of Queensland where the sugar industry is the principal economic activity. In all, several hundred thousand Australians in cane-growing areas depend on the sugar industry for their livelihood.

2. *Reliability.*—During the 1963–64 world sugar shortage, Australia supplied more global sugar to the United States than any other supplier despite the higher price on the world market were the sugar could have been sold. As shown by chart A, Australia supplied over 180,000 tons of global quota sugar in 1963 and over 175,000 tons in 1964. In all, Australia supplied some 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964. The some 220,000 tons per year which Australia supplied to the United States in 1963 and 1964 amounted to over five times the quantity Australia was required to supply under its statutory quota.

3. *Ally.*—Australia was an ally in both World Wars and in Korea. At the present time Australian forces are fighting alongside those of the United States in South Vietnam. In order to support its increased defense expenditures, including those in South Vietnam and Malaysia, the Australian budget has been increased substantially.

4. *Valued customer for U.S. exports.*—Australia's purchases from the United States have increased rapidly in recent years. Since 1958 U.S. exports to Australia have more than tripled from \$190 million to \$626 million. They are expected to rise to over \$700 million in 1965. As chart B shows, America's share of Australian imports has risen from 13.2 percent to 23.9 percent since 1958.

5. *Australia's trade deficit with United States.*—As chart C demonstrates, Australia has suffered a trade deficit in its trade with the United States each year since 1958. Australia's cumulative deficit for the 1958–64 period exceeds \$1.1 billion. A projection shows Australia's 1965 trade deficit with the United States exceeds \$470 million. The balance-of-payments deficit is more adverse. The large and growing deficit makes it increasingly difficult to support Australia's growing purchases from the United States.

6. *Military equipment.*—These export and balance-of-trade figures, large as they are, do not include the substantial amounts of military equipment which Australia purchases from the United States. Over the next 4 years Australia will purchase over \$600 million of military equipment here, including 24 F-111 bombers and 3 guided missile destroyers.

7. *U.S. curbs on Australian exports.*—Although Australia needs to increase its exports to the United States in order to be able to maintain its increasing purchases, U.S. domestic problems have necessitated curbs on major Australian exports. As Australia's third largest

export to the United States, sugar presents an excellent means for the United States to increase its purchases from Australia without any risk of injury to U.S. domestic interests.

8. *Ready supply and speedy shipment.*—As the free world's largest sugar exporters, Australia has developed modern storage and mechanized port facilities. Australia's large storage capacity—total 1.4 million tons—and its mechanized bulk export facilities assure its regular sugar customers of ready supply and speedy shipment. It can load a 15,000-ton cargo in 24 hours as compared with the 3 weeks it takes to load manually.

9. *Australian Government position on sugar.*—In a March 1965 letter to President Johnson, Prime Minister Menzies pointed out that "the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter." On behalf of his government, the Australian Ambassador has recently stated in a letter that "a substantial sugar quota for the Australian industry is a matter of very great importance" to Australia.

10. *Sugar Quota.*—Australia meets all the tests of stability of supply and of reliability, as shown by its global quota deliveries during the 1963-64 sugar shortage. Australia's record demonstrates that as a minimum Australia is capable of and should be permitted to continue to supply a part of U.S. foreign sugar requirements comparable to the some 220,000 tons per year supplied in 1963 and 1964 when sugar was in short supply. Although the Australian quota under the formula of the administration's bill is nearly 25,000 tons less than the 220,000 tons per year supplied in 1963-64, we believe the administration's formula to be fair and reasonable for all concerned.

Australia welcomes the provision in H.R. 11135 which gives Australia some participation in deficit reallocations. In view of the recent world sugar shortage and Australia's large bulk storage facilities, Australian participation in deficit reallocations could have a salutary effect in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the U.S. sugar market.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

(The supplemental statement filed by Mr. Barnard follows:)

SUPPLEMENTAL STATEMENT OF ROBERT C. BARNARD, REPRESENTATIVE, AUSTRALIAN SUGAR INDUSTRY

Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am grateful for the opportunity to appear before this committee for the Colonial Sugar Refining Co. on behalf of the Queensland Sugar Board and the Australian sugar industry including the Australian Cane Growers Association and the Australian Sugar Producers Association.

The Australian sugar industry deeply appreciated the opportunity to supply sugar first accorded it by the Congress in 1961 and 1962. I am glad to be able to report that Australia has been able to show since that time that it is a

reliable supplier. In 1963 and 1964, when a shortage forced world sugar prices above U.S. prices, the Australian industry lived up to the confidence placed in it by the Congress by supplying more global quota sugar to the United States in that 2-year period than any other country.

To supply when a higher price could have been obtained on the world market is, I believe, a good index of reliability. I feel confident that this committee and the Congress, in deciding on sugar quotas, will want to take into account Australia's performance as a reliable U.S. sugar supplier.

There are significant reasons, in addition to reliability as a supplier, which demonstrate that Australia merits consideration as a significant supplier of sugar to the United States.

The United States and Australia have always enjoyed very close ties. Aside from their common heritage and the similarities of their political and economic past, the two countries were Allies in both World Wars and in Korea. They have since developed even closer relations as members of ANZUS, the mutual security treaty uniting the United States, Australia, and New Zealand, and as members of SEATO (South East Asia Treaty Organization).

At the present time Australia has troops beside those of the United States in South Vietnam. Since 1962 Australia has supplied military and economic assistance to South Vietnam. Like their American counterparts, Australian soldiers initially acted as battle advisers to South Vietnam units and Australia now has a fighting force in action.

In recent years, the close ties that have joined the United States and Australia as allies have been further strengthened by the rapidly growing trade that is now bringing these two democracies closer together economically. Today, the United States is second only to Great Britain as a source for Australian imports, accounting in fiscal 1965 for over 23.9 percent of Australian imports. Indeed, if the present trend continues, the United States may soon surpass Great Britain as Australia's No. 1 supplier. The chart on the opposite page shows the development of America's share in the Australian market. Between 1958 and 1965 the U.S. share has risen from 13.2 to 23.9 percent.

The real significance of this growth lies in the increase in the actual volume of U.S. exports to Australia. As shown by the chart on the opposite page, U.S. exports to Australia have more than tripled since 1958, rising from \$190 to \$626 million. Recently, the increase has been even more pronounced—1964 exports to Australia exceeded our exports in 1963 by \$189 million, an increase of over 40 percent. A projection of 1965 exports to Australia, based on published figures for the first quarter, indicates that exports to Australia will amount to \$737 million, an increase of 18 percent over 1964. It should be emphasized that these figures, large as they are, do not include the substantial amounts of military equipment which Australia purchases from the United States.

Australian purchases from the United States will doubtless continue to grow if Australia's opportunities of earning vital export income from sugar and other major commodities also expand. In October 1963 the Royal Australian Air Force announced it was purchasing 24 American-built F-111 bombers at a cost in excess of \$120 million. In all, Australia will purchase over \$600 million of military hardware from the United States over the next 4 years including three guided-missile destroyers. These purchases represent a substantial Australian commitment to U.S. exports. In addition, Australia has also made large purchases in the past and is continuing to purchase U.S. aircraft for its overseas and internal airlines.

Australia purchases not only military hardware but also agricultural and other goods. Among the sugar-quota countries, Australia is one of the United States best customers for agricultural goods and otherwise. The United States is also a major supplier of a wide range of materials and equipment for Australian industry such as machinery, chemicals, vehicles, and sulfur.

U.S. exports are growing and the United States enjoys a very favorable balance of trade with Australia. In 1964, as shown by the chart on the opposite page, Australia suffered a deficit of \$352 million in its trade with the United States. One index of the growing U.S. trade is the fact that Australia's trade deficit in 1964 was almost triple that of 1963. Australia's cumulative trade deficit for the period 1958-64 exceeds \$1.1 billion. The trade position during 1965 shows even further deterioration. Projections of published U.S. trade figures for the first quarter of 1965 indicate that the calendar 1965 deficit will exceed \$470 million. This estimate is probably conservative inasmuch as the adverse balance of trade during the Australian fiscal year ended June 30, 1965, has risen to \$471 million.

In order to maintain its purchases from the United States, Australia must depend on exports. From the point of view of world trade, Australia has much in common with the developing countries inasmuch as its foreign trade is largely dependent upon exports of agricultural and mineral commodities. While the subject is not before the committee, it may be noted that the United States for domestic reasons has limited U.S. purchases of important Australian export products. These limitations have widened Australia's trade deficit with the United States and have made it increasingly difficult for Australia to support its growing purchases from the United States.

As Australia's third most important export to the United States, sugar offers a good way for the United States to increase its imports from Australia without any risk of injury to U.S. domestic interests.

In a large sense, sugar imports will benefit all U.S. exporters and Australia. Australia's sugar is grown and milled primarily in the State of Queensland, where the sugar industry is the principal economic activity. The 10,000 independent cane farmers have individual farms averaging 80 acres, and on 80 percent of these farms, no other crop can be grown economically. The farmers themselves cooperatively own 13 of Australia's 34 sugar mills. In all, several hundred thousand Australians in sugar-growing areas alone depend on the sugar industry for their livelihood. And, in fact, the sugar industry is important to the entire Australian economy.

The development of the sugar industry in Queensland has brought about intensive settlement along 1,300 miles of Australia's tropical northeast coast and the development of roads, airfields, ports, and communications. The development by the sugar industry of this isolated area of the South Pacific is of strategic importance to Australia, the United States, and the rest of the free world. Indeed, it was facilities developed for the sugar industry in Queensland which assisted General MacArthur to mount speedily the offensive that turned the tide in the Pacific in World War II.

The Australian sugar industry is one of the most efficient in the world. This year its production will be about 2 $\frac{1}{4}$ million tons of raw sugar, and more than two-thirds of this production will be exported. Australia has become the free world's largest sugar exporter.

As the free world's largest sugar exporter, Australia has developed modern mechanized bulk export facilities. Since 1963, bulk sugar storage capacity at Australia's six sugar ports has been increased more than 75 percent and now has a capacity of 1.4 million tons. This is almost 60 percent of total production. These six sugar ports are fully mechanized. This permits a 15,000-ton cargo to be loaded in less than 24 hours as compared with the 3 weeks that it takes to load such a cargo manually. The bulk terminals are operated by permanent sugar industry employees only and since the first bulk terminal came into operation in 1957, there has never been a delay in a sugar shipment from these ports due to a labor dispute or any other cause. These bulk terminals and mechanized loading facilities assure Australia's regular sugar customers of ready supply and speedy shipment.

I said at the outset that the Australian sugar industry offers the United States the advantages of a stable, reliable supplier. Let me give you some of the facts about the period when the world price rose above the U.S. price. During the 1963-64 sugar shortage, the Australian sugar industry committed more global quota sugar to the United States than any other country in the world. As shown on the chart opposite, Australia supplied 355,000 tons under the global quota during the 1963-64 period—180,000 tons in 1963 and 175,000 in 1964. This represented 10.5 percent of the global quota sugar supplied in 1963 and 17.6 percent in 1964. In each of these years Australia not only filled its statutory quota, but made global shipments totaling more than four times its statutory quota. In all, Australia supplied the United States with 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964.

On a long-term basis Australia can make available 400,000 short tons of raw sugar each year for the United States without expanding existing acreage or mill facilities and still meet the needs of other established markets. Although we are willing and able to supply this amount of sugar to the United States, we are hesitant to propose a specific figure as a fair quota for Australia. However, in his letter to President Johnson on March 12, 1965, Prime Minister Menzies pointed out that "the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter." We have also recently received a letter from the Australian Ambassador stressing on behalf of his Government that a "substantial sugar quota for

the Australian industry is a matter of very great importance" to Australia. Appended hereto are copies of both of these letters.

Australia's record demonstrates that as a minimum Australia should be permitted to continue to supply a part of the U.S. foreign sugar requirements comparable to the some 220,000 tons per year which it supplied in 1963-64, when sugar was in short supply. Although the Australian quota under the formula for allocating foreign quotas proposed by the administration is nearly 25,000 tons less than the some 220,000 tons per year which Australia delivered in the 1963-64 shortage period, we believe the administration's proposal to be both fair and reasonable for all concerned.

Australia welcomes the provision in H.R. 11135 which permits Australia some participation in deficit reallocations. Certainly its storage facilities and record for reliability recommend Australia as a reliable source from which to fill U.S. sugar deficits. In view of the recent world shortage, I believe the committee will wish to consider the salutary effect Australia deficit participation would have in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the U.S. market.

To summarize briefly:

1. *Reliability*.—In both 1963 and 1964, the Australian industry supplied some 220,000 tons of sugar per year to the U.S. market, despite the fact that higher prices could have been obtained on the world market.

2. *U.S. export market*.—Australia is a valued and significant customer, whose purchases from the United States have increased rapidly in recent years.

3. *A significant customer of the United States*.—Among the full duty countries, Australia is the second largest cash purchaser from the United States both of agricultural products and other goods.

4. *U.S. favorable trade balance*.—The United States had a favorable balance of trade with Australia of over \$352 million in 1964 and a cumulative favorable balance of \$1.1 billion for the period of 1958-64. For Australia this large and growing trade deficit makes it increasingly difficult to support its growing purchases from the United States.

5. *Significance of sugar to Australia*.—Although Australia needs to increase its exports to the United States in order to be able to maintain its increasing purchases, U.S. domestic problems have made it necessary to curb purchases of certain major Australian exports. Sugar presents an excellent means for the United States to increase its purchases from Australia without any risk of injury to U.S. domestic interests.

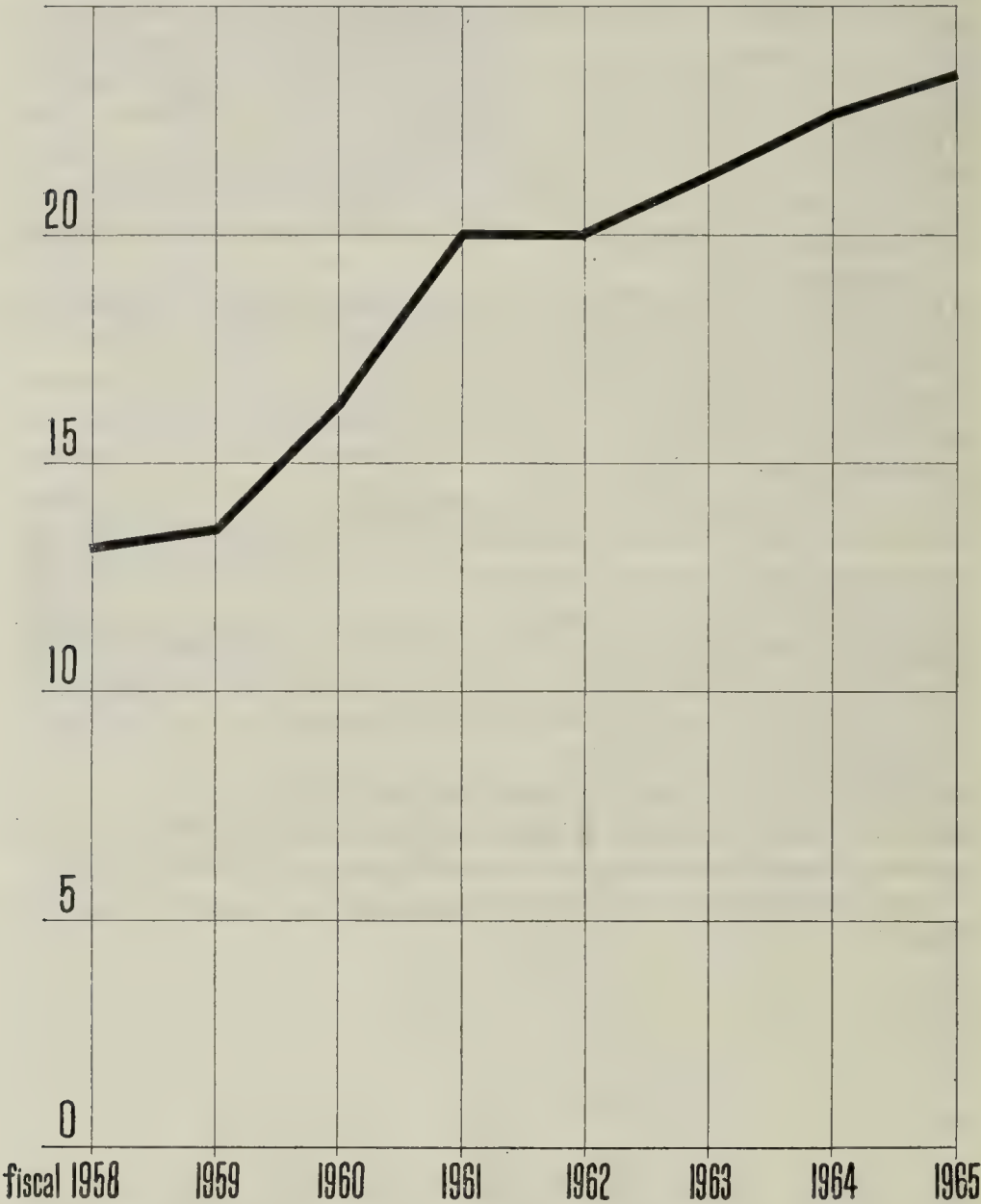
6. *Ally*.—Australia is a valued ally that has cooperated fully with the United States in the defense of southeast Asia and the South Pacific.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of American's sugar needs on a regular and mutually beneficial basis.

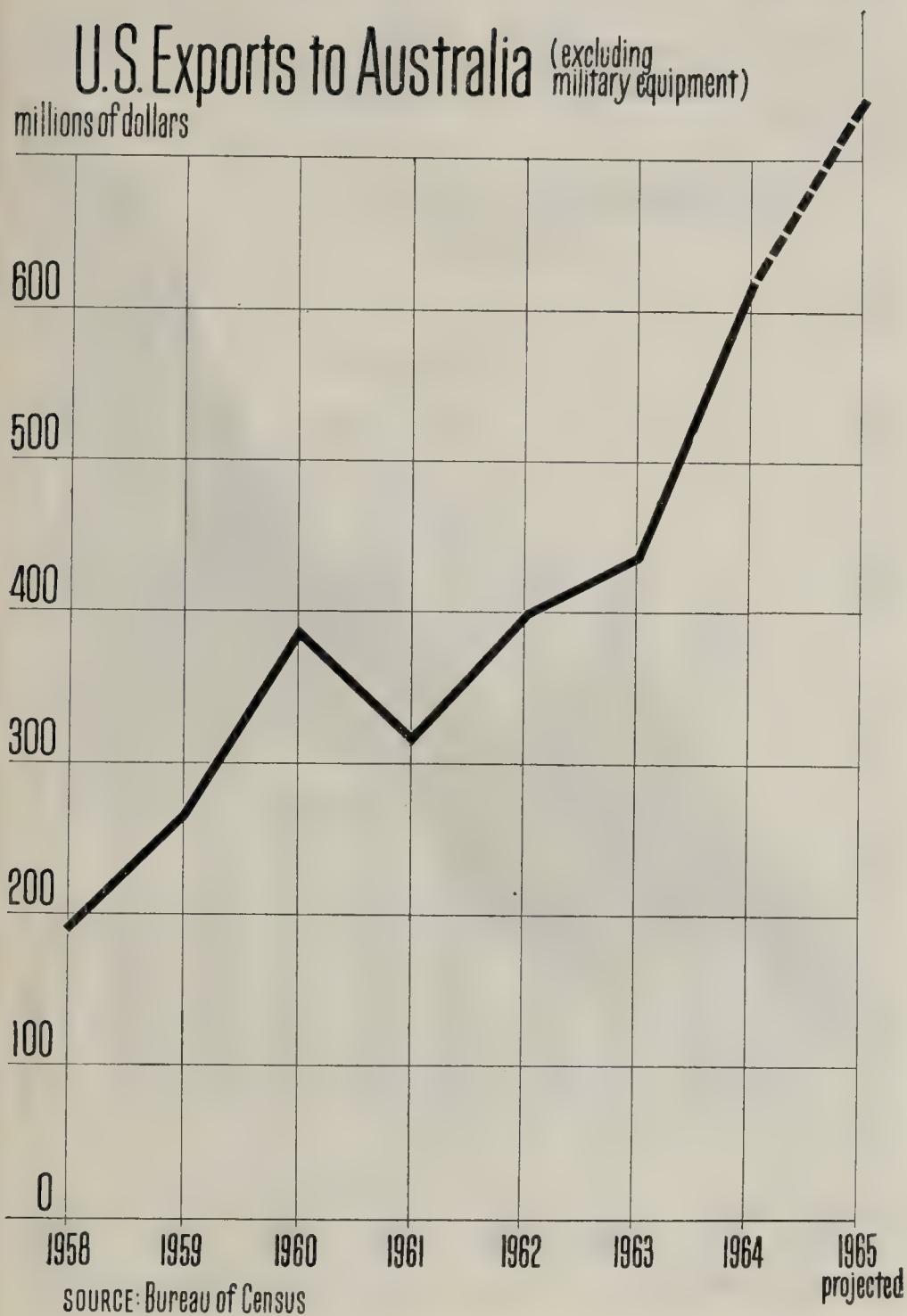
(The following charts and other material was submitted for the record:)

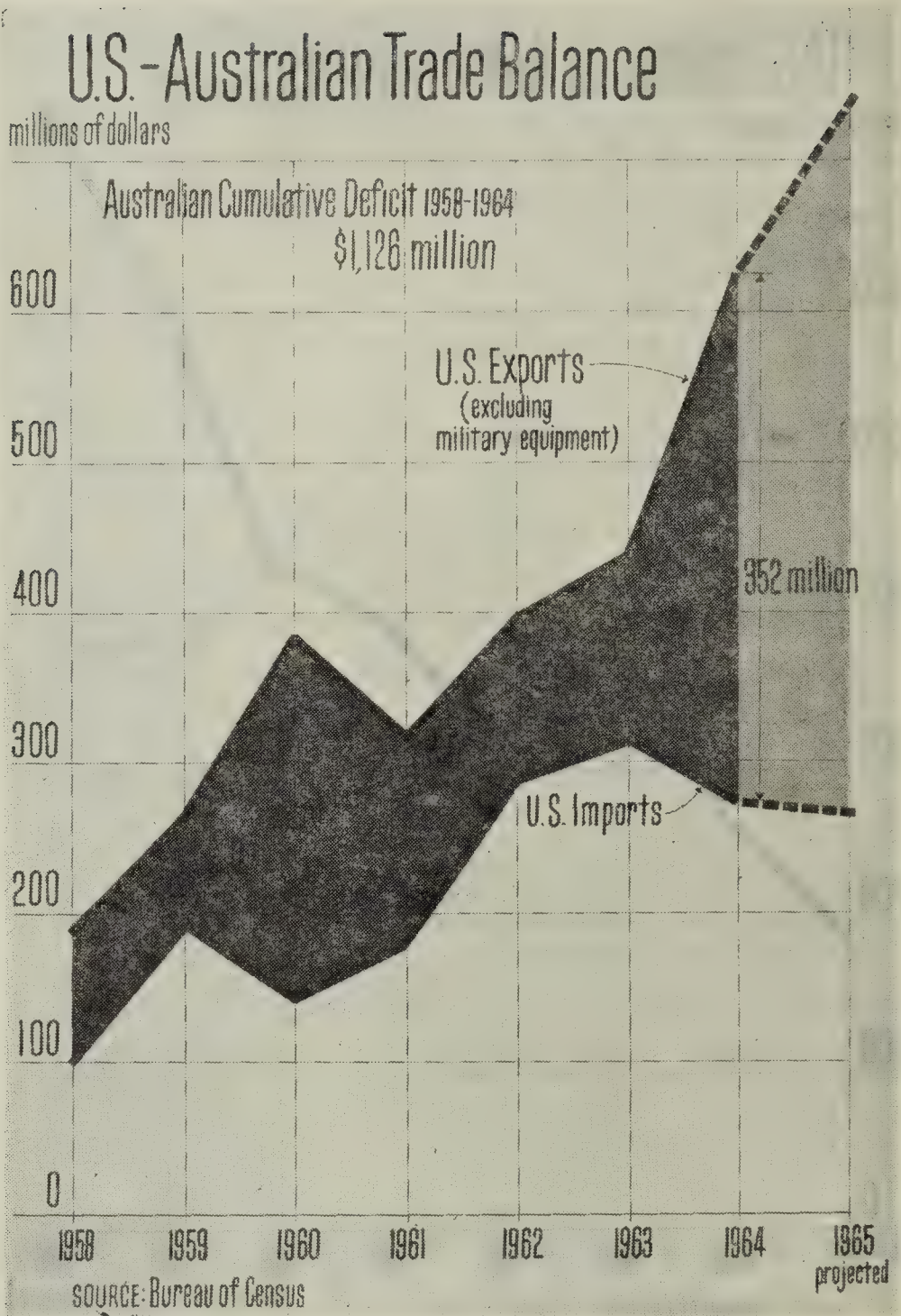
United States Share of Australian Imports

% of total imports



SOURCE: Commonwealth Bureau of Census & Statistics; Canberra, Australia



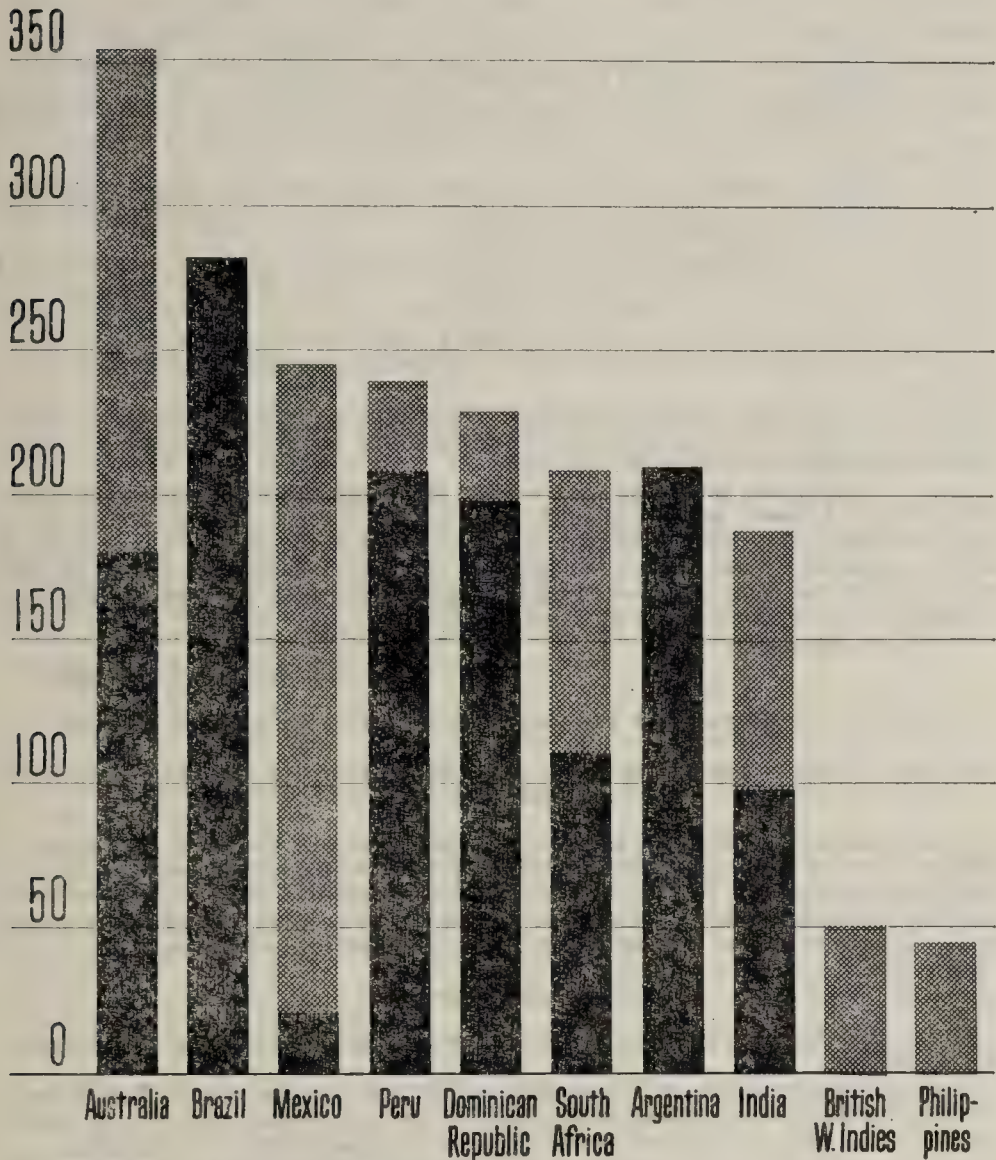


Global Sugar Quota Shipments 1963-1964

in thousands of short tons

■ 1963

▨ 1964



SOURCE: U.S. Department of Agriculture

AUSTRALIAN EMBASSY,
Washington, D.C., August 18, 1965.

Mr. ROBERT C. BARNARD,
Cleary, Gottlieb, Steen & Hamilton,
Southern Building, Washington, D.C.

DEAR MR. BARNARD: Thank you for your letter of August 18. You may be assured that the question of a substantial sugar quota for the Australian industry is a matter of very great importance to my Government.

It is the view of the Australian Government that entitlement to an adequate quota for the Australian industry can be justified entirely on the grounds of

commercial equity and the ability of the Australian industry to compete with other world producers. I would emphasize here that the Australian industry, which is stable and well organized, enjoys an enviable international reputation as an efficient and reliable supplier.

It will be recalled that during the recent world shortage of sugar the Australian industry made special efforts to meet the difficulties of the United States, often at prices lower than could have been obtained on the world market. In fact, Australia was the major foreign supplier under the global quota allocations which operated over the period 1962 to 1964. However, I feel obliged to point out that the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

In addition there are, of course, other relevant considerations. For instance:

The development of some 1,300 miles of the northeastern coastline of Australia—a strategically important area—has been virtually based on the sugar industry and the continued development of the region depends very largely on this industry.

In a world of regulated markets, the need for assured access to the world's largest market must continue to be a matter of vital concern to both the Australian Government and the domestic industry.

You will also be aware of the close trade ties existing between Australia and the United States. Over recent years there has been a rapid expansion of U.S. exports to Australia, which is the fastest growing of the U.S. major commercial markets. However, Australia has found that its efforts to expand exports to the United States of major Australian commodities have often been impeded.

A substantial sugar quota for Australia would be a direct and material recognition of the high value to be attached to sound and enduring economic relations between the United States and Australia.

You will no doubt be aware that earlier this year the Prime Minister wrote to President Johnson on certain subjects of mutual interest to the United States and Australia. The Prime Minister's letter referred to some of the matters I have mentioned. I am therefore attaching for your information a copy of this letter and of the reply received from the President, which were reported to the Commonwealth Parliament at the time.

Yours sincerely,

J. K. WALLER, *Ambassador.*

UNITED STATES-AUSTRALIAN FINANCIAL RELATIONS—BALANCE OF PAYMENTS

Exchange of letters between the Australian Prime Minister and the President of the United States

In the Australian Federal House of Representatives, Canberra, on April 1, 1965, the Australian Prime Minister, Sir Robert Menzies, laid before Members of the House a letter he had written to President Johnson on March 12 and the President's reply of March 24 relating to the possible effects of measures taken by the U.S. Government to improve its balance-of-payments position.

AUSTRALIAN LETTER

The text of the letter of March 12 Sir Robert Menzies sent to President Johnson was as follows:

"MR. PRESIDENT: This note is designed to be direct and clear, as it should be in a communication to one whose friendship I value, and whose sympathetic understanding of Australia and her problems we have great reason to appreciate.

"Since you informed Congress on February 11, 1965, of the measures you proposed to take to improve the external payments position of the United States I have been studying, with my colleagues in the Australian Government, the likely effects of those measures upon our situation, abroad and at home.

"So far as we can see, Australia does not come within the several reservations stated by you and designed to lessen the impact of your measures upon various countries such as Canada, Japan, the United Kingdom, and others more generally described as developing countries.

"I feel I should say to you that while we fully and warmly understand the reasons for the action your administration is taking to deal with its balance-of-payments problem, we fear that this action as it now stands could have adverse effects on Australia which we imagine it would be no part of the U.S. intention to inflict.

"When the interest equalization tax was first announced, we pointed out to the U.S. administration our interests in the matter but did not seek exemption from it.

"Amongst other reasons, we wanted to avoid the embarrassment this might have caused your administration in its negotiations with certain other countries on this matter.

"We do not seek exemption from the tax now, but we do wish to bring to your notice the facts of our economic situation which will be relevant to the administration of the system of voluntary restraint to which U.S. investors are being asked to conform in making decisions about investments abroad.

"Australia is not a 'developed' country in the sense that the mature, capital-exporting and highly industrialized countries of Europe are developed.

"On the contrary, we have an immense task of developing a relatively under-populated continent which, while rich in some resources, presents in other respects most formidable difficulties of climate, terrain, and distance.

"As yet we have a population of little more than 11 million people. Like the United States in earlier years, we are endeavoring to build our numbers up by large-scale immigration. But this effort necessarily adds to our capital needs.

"Although by now we have achieved a large and varied production of goods, and in fact generate from our own savings more than four-fifths of the capital we require, we must perforce rely heavily on export earnings and on capital inflow to obtain abroad additional resources for growth.

"Australia is a free enterprise economy that has welcomed private overseas investment and treated it with exactly the same consideration that it gives to private investment of Australian origin.

"Moreover, Australia has joined with other free world countries in measures to promote freer international trade and payments and, to this end, maintain an 'open' economy with practically no quantitative restrictions on imports and no restrictions on current payments.

"Although subject to formal control, repatriation of capital invested in Australia is not, in practice refused. Being predominantly an exporter of primary products, Australia experiences large fluctuations in the amount of her export receipts and, being in a phase of rapid development, normally has a deficit in her current balance of payments. Though this varies from one year to another, it has to be covered by net capital inflow. By far the greater part of this has comprised private overseas investment in Australia.

"In the 8 years from 1956-57 to 1963-64 the accumulated deficit on current account amounted to \$2,417 million.

"During that period, the annual inflow of private overseas investment (including undistributed income) in companies in Australia totaled \$3,022 million, of which \$1,147 million came from the United States and Canada—most of it from the United States.

"Ordinarily Australia has a large current account deficit with the United States. In 1962-63 Australia's exports to the United States totaled \$297 million while her imports from the United States amounted to \$478 million. Her net invisible payments to the United States in that year were \$181.2 million, giving a deficit on current account of \$362.2 million.

"In 1963-64, with exports of \$312.9 million, imports of \$559.9 million and net invisible payments of \$194.7 million, her current account deficit with the United States rose to \$441.7 million.

"In the half year to December 1964 Australia's recorded exports to the United States were \$153.2 million compared with \$180.3 million for the same period of 1963, a decline of 15 percent; whereas Australia's recorded imports from the United States increased as between these two periods from \$273.7 million to \$392 million, a rise of 43 percent.

"In this connection, we feel constrained to point to the contrast between the rapid expansion of U.S. exports to Australia—Australia now being the fastest growing of the U.S. major commercial markets—and the manner in which U.S. policies impede Australian efforts to expand exports to the United States of some major Australian export commodities.

"The United States, alone among major trading countries, maintains a very high tariff on raw wool, despite many representations and negotiations aimed at reduction or elimination of duty; quotas imposed on lead and zinc in 1958 remain unchanged despite a greatly improved world market situation; U.S. domestic legislation imposes limitations on, and creates uncertainties for, the Australian export trade in meat; the continuance of access for Australian sugar

is uncertain and the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

"In 1963-64 these commodities accounted for 81 percent of total Australian exports to the United States. They are the products on which Australia must chiefly depend if a significant expansion of exports to the United States is to be achieved and if the progressive deterioration in our trade and payments balances with the United States is to be arrested and redressed. Yet, with respect to each of them, U.S. restrictions of one and of another prevent or impede expansion.

"This current account deficit with the United States has been offset in part by capital inflow from the United States, most of it on private account.

"In 1962-63 the annual inflow from the United States and Canada (by far the greater part being from the United States) of private overseas investment (including undistributed income) in companies in Australia was \$201.6 million, and this increased to \$220.2 million in 1963-64.

"In the latter year, the inflow from the United States and Canada was not far short of half of the total of \$481.6 million of private overseas investment in companies in Australia.

"To turn now to our immediate situation, it is a fact that in 1963-64 Australia's export production was high and for most exports reasonably good prices were received. Capital inflow was strong and our external reserves were strengthened.

"For the present financial year, however, the prospects are much less favorable. Export prices have fallen, local demand for imports has been strong and, although capital inflow has been fairly well sustained, it is certain that substantial drawings will be made on our external reserves. These seem certain to decline over the year as a whole by appreciably more than A£100 million (\$224 million). For the financial year ahead, the signs point to a continued drain on our external reserves.

"We have greatly enlarged our defense programs and this will entail substantial additions to overseas payments for defense equipment and supplies.

"Overseas expenditure in 1965-66 and later years arising from existing defense commitments and the new 3-year defense program is estimated at about A£400 million (or the equivalent of about \$880 million), of which about A£250 million (or some \$550 million) will relate to procurement in the United States.

"Although recent arrangements reached with you to phase payments for some major items over a longer period will ease the burden to some extent, it will still be considerable. At the time we undertook these commitments we had no reason to anticipate that our payments position vis-a-vis the United States would be altered for the worse by action of the kind you have since announced.

"An additional consideration is the Australian Government has commitments of nearly \$200 million in the United States over the next 5 years in respect of debt maturities and sinking fund commitments. This figure is exclusive of installation repayments of approximately \$130 million due to the International Bank over that period.

"Although a relatively large-scale importer of capital, Australia is nevertheless a donor and not a recipient of international aid.

"Australia has, in fact, played her full part in various international aid arrangements and also provides a considerable amount of aid, both civil and military, on a bilateral basis to less developed countries.

"The development of Papua and New Guinea is a prime Australian responsibility and one that is making large and increasing calls on Australia's resources. Requests for additional aid are being received from other developing countries as well and, in most cases, are met to the best of our ability. Our recent gift of wheat to India worth nearly \$9 million is a case in point. These all add to the pressures on our external resources.

"In what at present appears to be a deteriorating balance-of-payments situation, any substantial falling off in capital inflow would be a matter of serious concern to the Australian Government.

"Furthermore, since we hold the bulk of our external reserves in sterling, any drawings we have to make on our reserves will tend to increase Britain's balance-of-payments difficulties which are, of course, a matter of international concern.

"In drawing attention to these facts, the Australian Government hopes that in setting overseas investment targets for U.S. banks and other businesses, the administration will take full account of the Australian situation and will not take action likely to result in any substantial reduction in the flow of private American capital to this country.

"This is not to say that we would oppose the issue by U.S. investors of some equity capital in their subsidiaries here to finance new investment in this country: indeed it would accord with an attitude we have frequently expressed.

"We have made it clear on many occasions in the past that we think it desirable for oversea investors to take in Australian investors as partners in businesses established in Australia. On the other hand, however, we would be troubled and embarrassed if U.S. investors were to begin repatriating capital, substantially increasing the proportion of profits remitted or adding largely to their fixed-interest borrowings or other forms of capital-raising in Australia which gave Australian investors no equity share in the businesses in question.

"Development such as these could very well force upon us the need to reconsider the policies we have hitherto followed in these areas. This we should regard as regrettable in the extreme, especially if it resulted in a conflict of policies, with subsequent confusion in, and disruption of, established and greatly valued financial and commercial relationships between our two countries.

"Our own policies in these important fields have, we believe, had the encouragement and approval of successive U.S. administrations.

"We should like to think that it will be possible to continue them without detriment to ourselves and without impairing the effect of the policies you find necessary to strengthen your own balance of payments and uphold the world standing of the dollar.

"I am, Mr. President, and with warm personal regards,

"Yours sincerely,

"R. G. MENZIES."

U.S. PRESIDENT'S REPLY

The text of President Johnson's reply of March 24 was as follows:

"DEAR MR. PRIME MINISTER: We have now had a chance to give careful study to your letter of March 12 concerning the effect on Australia of our balance-of-payments program.

"We fully understand the importance that your Government attaches to this matter, and appreciate the frankness with which you expressed your concern.

"I am grateful, too, for your sympathetic understanding of the reasons which impelled us to take forceful action.

"We think it fair to claim that because of the special role of the dollar in international monetary arrangements, early and substantial improvement in the U.S. balance of payments is in the interest not only of the United States, but also of the entire free world.

"We are determined to eliminate the U.S. international deficit, and I am happy to be able to say that the February 10 program already appears to be taking hold.

"We understand, of course, that external capital is of great importance to Australia.

"In terms of the high standard of living of the Australian people, and the remarkable pace of advance during the past decade, Australia must be counted one of the advanced countries of the world. But as you point out, yours is a country with a great potential for further development.

"As an old friend and ally, we have watched with admiration your record of achievement, and we know the importance of continued Australian success. We attach high value to the good economic relations between Australia and the United States.

"In the present instance, we believe, after careful review, that our balance-of-payments program is not likely to have a serious adverse effect on the Australian economy.

"The part of the program supervised by the Secretary of Commerce is designed to avoid any undue disruption in the growth of sound business relationships.

"Indeed, I understand that certain large direct investments in the production of iron ore in Australia are planned for the near future. And in the case of loans by our banks and financial corporations, we intend to emphasize primarily the need to curb the outflow of such funds to industrialized countries already rich in reserves.

"We believe, therefore, that this program will not impose undue strain on Australia. But it is always possible that specific actions under a program of this sort can have consequences for a friend that outweigh their value to the general program.

"I have asked the Secretary of the Treasury and the Secretary of Commerce to give a careful hearing to Australia's view in any particular case which might be of this sort.

"On our general commercial relations, I can assure you again that a reduction in trade barriers, in agriculture as well as in industry, is a prime objective of U.S. policy.

"As I wrote you last August, our negotiators in the Kennedy round will bend every effort to help bring the Geneva negotiations to a successful conclusion.

"Again, let me thank you for your letter and for your forthright statements of views.

"Sincerely,

"LYNDON B. JOHNSON."

Senator LONG. Thank you, Mr. Barnard.

Our next witness is Mr. Seymour S. Guthman, on behalf of the sugar producers of the Malagasy Republic.

STATEMENT OF SEYMOUR S. GUTHMAN, REPRESENTING THE SUGAR PRODUCERS OF THE MALAGASY REPUBLIC

Mr. GUTHMAN. My name is Seymour S. Guthman. I am a lawyer with offices here in the District of Columbia. I have requested the privilege of appearing before your committee at these hearings on H.R. 11135 in behalf of the sugar producers of the Malagasy Republic.

We are in full agreement with the recent remarks and viewpoint of Senator Russell B. Long, as expressed in the Congressional Record of September 29, 1965, regarding the proposed amendments to the Sugar Act. Senator Long voiced our thoughts on the subject when he so ably pointed out the desirability and the common courtesy on the part of the United States to recognize and adequately reward those sugar-exporting countries which cooperated with our Government only 2 short years ago at a time when there was a worldwide shortage of sugar. Indeed, as Senator Long stressed, and I quote:

Those who came to our help in our hour of need were assured that they would not be forgotten when the situation reverted to a surplus supply of sugar in the world.

The Malagasy Republic is one of those countries which did come to the help of the United States "in its hour of need." In fact, without hesitation the Malagasy Republic offered 11,500 tons of sugar to the U.S. market in November of 1963 which was shipped in early 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of the said country's export supply.

This was done even through the world sugar prices were then higher than U.S. prices. This was done, too, even though the Malagasy Republic, unlike many other sugar-exporting countries, did not have a "historic obligation" to the United States. Nevertheless, out of friendship, it chose to help the United States to the maximum of its ability at a time when such help was needed.

In more recent years, as Senator Long also correctly pointed out, the U.S. offshore sugar requirements were spread generally among friendly nations with which our country has traditionally had close, friendly ties.

U.S. relations with the Malagasy Republic, which achieved independence in 1960, are now, and traditionally have been, on a close

and friendly basis. Indeed, in international affairs the Malagasy Republic has identified and aligned itself with the principles and goals of the free, democratic world. It has been one of the major offshore elements in the all-important satellite tracking station complex which the United States has established throughout the world and this participation has continued despite a great deal of misunderstanding as to the purposes of such stations.

The Malagasy Republic has a stable, democratic government with universal direct suffrage. Its 6 million people occupy the world's fourth largest island comprising 228,000 square miles. It is off the east coast of Africa and is considered to be part of Africa. Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar.

The Malagasy Republic is the only newly independent country of Africa that is now participating in the sugar trade of the United States. It is our understanding that many observers believe that the response of our Government to this modest request for a sugar quota for the Malagasy Republic will be considered as an indication of the way in which the United States intends to deal with the serious economic problems of Africa.

For the reasons stated in this brief presentation, and more elaborately set forth in our detailed statement, herewith attached, it is respectfully urged that consideration be given to granting quotas in accordance with the sacrifice and good will evidenced in 1963 and 1964, rather than by use of a mathematical system alone, which no matter how carefully considered cannot reflect the true state of affairs.

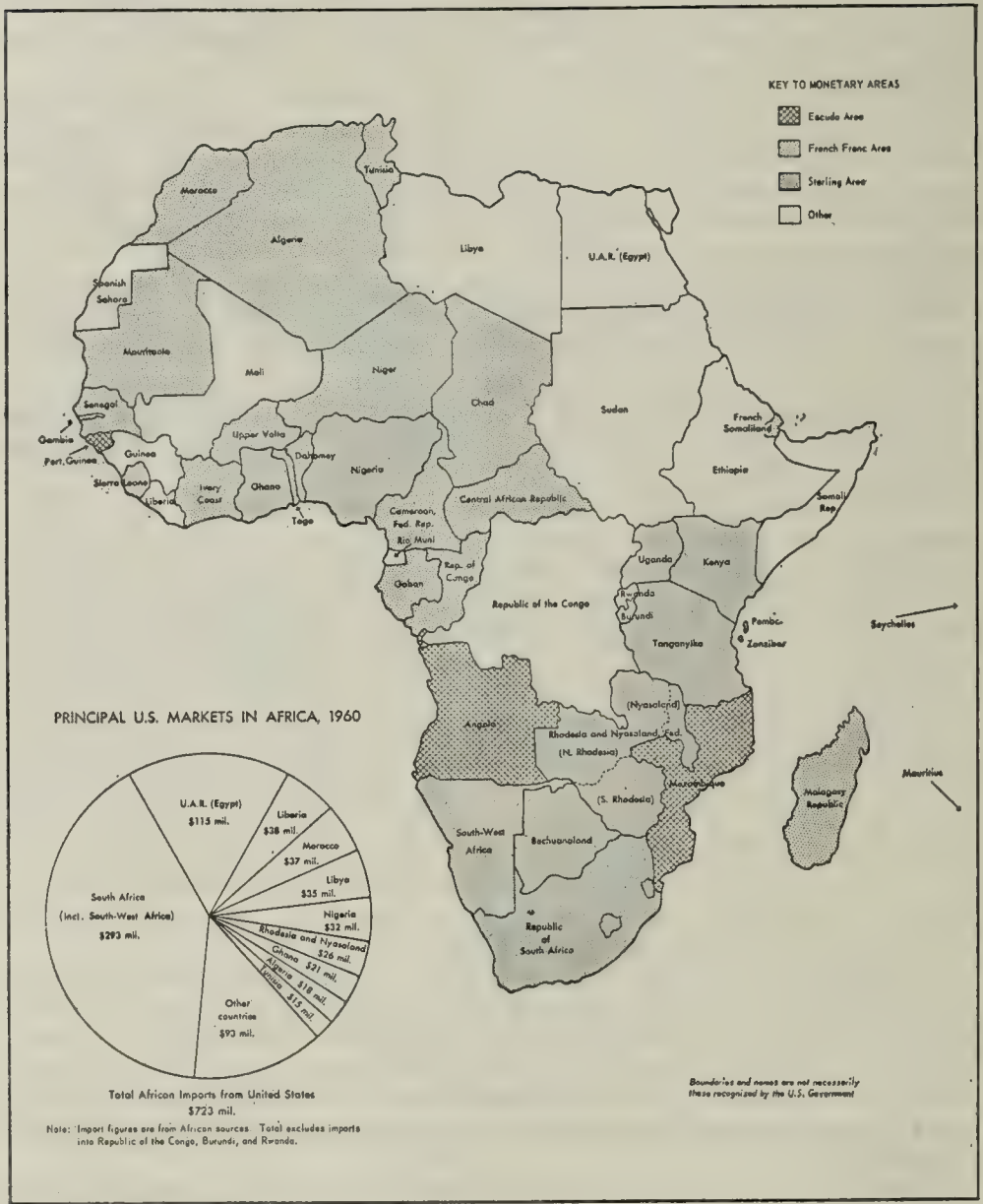
While the administration bill endorses in principle the desirability of rewarding those countries which came to the assistance of the United States during the sugar shortage period of 1963 and 1964, it is our feeling that the said measure does not fully take into account the intent and spirit of the spontaneous and willing cooperation put forward by the Malagasy Republic. And much to our amazement, H.R. 11135 virtually overlooked such cooperation by assigning to the Malagasy Republic a basic quota even less than the quota recommended in the administration's proposal.

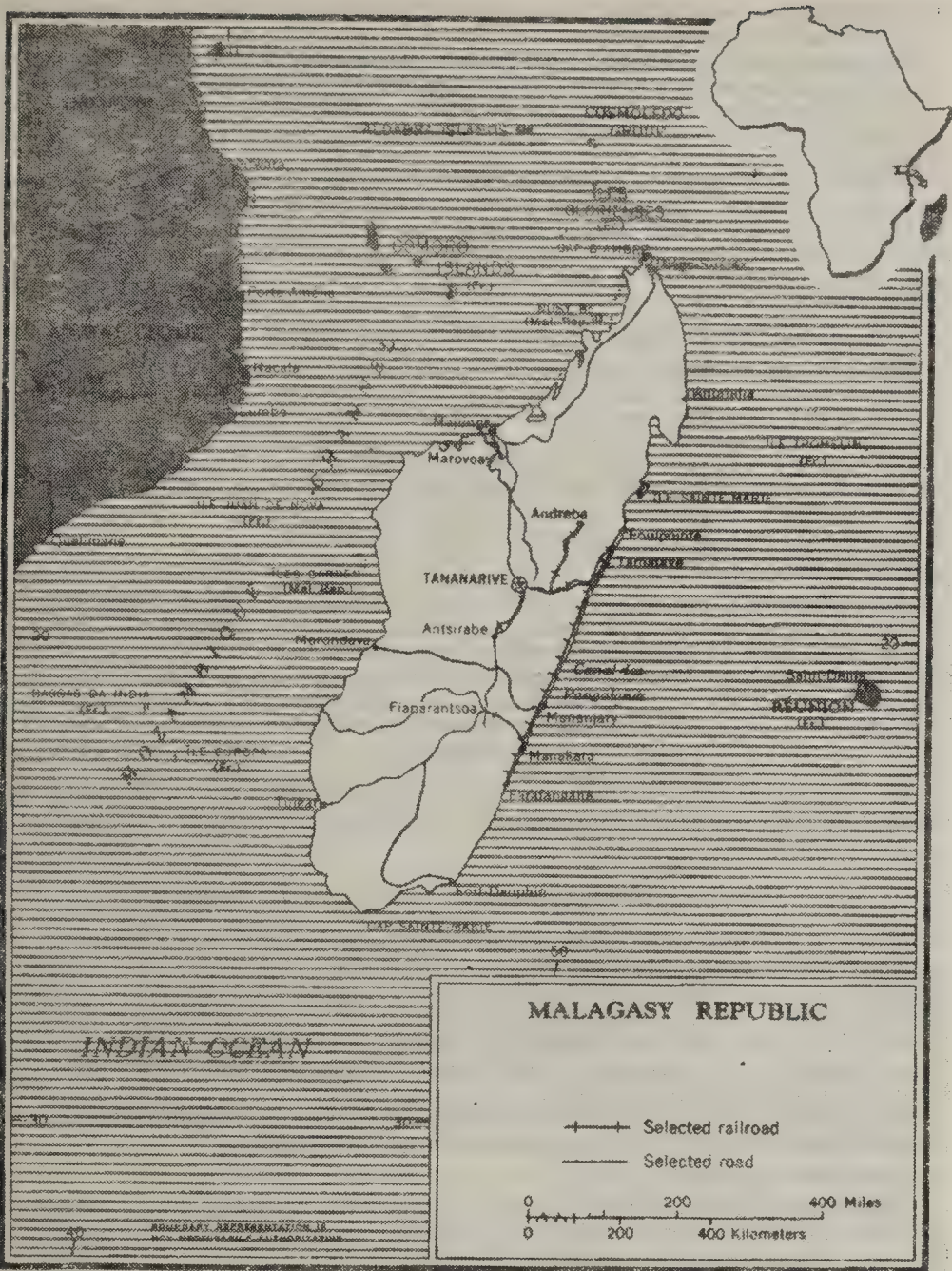
We respectfully submit that a quota of 11,500 tons, based on the actual offering of 17,000 tons in response to the U.S. request in 1963, would be more in line with the administration's objective, and what we believe to be the consensus of the U.S. Congress; i.e., to give just reward where earned. In fact, the extent and relative magnitude of the Malagasy Republic's sacrifice in this regard would justify a much higher quota.

I greatly appreciate and thank the committee for granting me the time to make this presentation.

(The supplemental statement filed by Mr. Guthman follows:)

THE MALAGASY REPUBLIC AS A SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA





SUMMARY

The U.S. sugar needs

On November 5, 1963, when there was a world shortage of sugar and the U.S. sugar supply from foreign sources was in doubt, the U.S. Department of State sent a letter to the Foreign Minister of the Malagasy Republic asking the Malagasy Republic to ship sugar to the United States during 1964. The letter indicated that the response would be given consideration in establishing new quotas under future sugar legislation.

The Malagasy Republic responded quickly and generously

Without hesitation, 11,500 tons of sugar were offered to the U.S. market in November of 1963 and shipped in 1964. Subsequently, in April of 1964, an addi-

tional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of this country's export supply.

This was done even though world sugar prices were higher than U.S. prices. Thus, this action meant a serious financial loss to the Malagasy Republic.

In the sugar field, the Malagasy Republic, unlike many other countries, did not have a "historic obligation" to the United States, yet out of friendship it chose to help.

In 1965, in recognition of the Malagasy Republic's response to U.S. needs in the prior year, the U.S. administration assigned the Malagasy Republic an entitlement to export 7,586 tons of sugar to the United States. This entitlement was far less than the quantities the Malagasy Republic held for the United States and shipped in 1964. It, in fact, was only a partial cargo, involving additional shipping costs.

Malagasy Republic is a new independent African nation

This country achieved independence in 1960. It has a stable democratic government with universal direct suffrage. In international affairs the Malagasy Republic has identified and aligned itself with the principles and goals of the free, democratic world.

Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar, coffee, vanilla, and spices. The United States is the Malagasy Republic's second largest trading partner. Between 1960 and 1964 U.S. exports to the Malagasy Republic almost doubled.

Position of Malagasy Republic

The Malagasy Republic is the only newly independent country of Africa that has participated in the sugar trade of the United States. It believes that U.S. response to its modest requests will be interpreted by other African countries as an indication of the way in which the United States intends to deal with the serious economic problems of Africa. For this reason it is urged that serious consideration be given to granting quotas in accordance with the good will evidenced, rather than by use of a mathematical system alone which, no matter how carefully weighted, cannot reflect the true state of affairs.

Accordingly, it is requested that the Government of the United States consider granting a minimum yearly quota of three cargoes of sugar, totaling 30,000 short tons, raw value.

SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA

General

The Malagasy Republic, often called Madagascar, is the world's fourth largest island. It has an area of 228,000 square miles and is approximately the size of France, Belgium, and Holland combined. It is less than 200 miles from the coast of east Africa and is considered, for all practical purposes, as part of Africa. The Malagasy Republic in 1964 had a population of 6 million. Its economy is based primarily on production of agricultural commodities and related processing industries such as sugar factories, meat and fruit canneries, soap factories, etc. Other types of industries are beginning to emerge such as assembly plants in the electrical and automotive fields, textile clothing, and plastics.

Political and economic

This country achieved full independence on June 26, 1960; it had been for a number of years a colony of France. It retains many of its old commercial ties, but has been steadily expanding its political and commercial relationships with other countries in the free world. Its main products are coffee, vanilla, sugar, pepper, cloves, and rice. It is one of the largest African and world producers of coffee. It is also a significant producer of sugar, with approximately 125,000 tons of sugar per year. It has additional land suitable for production of sugarcane and has been seeking to extend its market in this area to provide sustenance for its growing population.

The Malagasy Republic has a stable democratic government. It has universal direct suffrage. Since its independence in 1960 its emergence into the status of political independence has been characterized by stability and responsibility. There have been no revolutions, no uprisings, and the transition to independence has been achieved in an orderly manner.

Relationships with the United States

There have always been close and warm political and trade relations between the Malagasy Republic and the United States. The Malagasy Republic, espe-

cially since achieving independence, has endeavored to identify itself with the hopes and aspirations of the entire free, democratic world.

Its activities in the United Nations and its regular and unceasing concern with such matters as the atomic test ban treaty, the recognition of various countries of the world, have been of a nature so as to win for itself within the United States a reputation of being "most cooperative."

The Malagasy Republic has been one of the major offshore elements in the satellite tracking station complex that the United States has established throughout the world, and this participation has continued despite a great deal of misunderstanding as to the purposes of such stations.

Education

The Malagasy Republic's educational system is moving toward complete literacy. The new university of Madagascar is at the head of a public system of 150 technical schools, 38 secondary schools, and 2,500 primary schools with a total enrollment of just under 500,000. There are a number of private schools and many of the Republic's more than 2 million Christians are also trained in church primary, technical, and agricultural schools.

The literacy rate in the Malagasy Republic is one of the highest among the African nations—an overall rate of 35 to 40 percent, and as high as 60 percent in Tananarive.

Foreign trade

Madagascar's foreign trade, imports and exports, is in good part with France. However, the second largest country trading partner of Madagascar is the United States. Since independence in 1960, U.S. exports to Madagascar have expanded dramatically. In 1960 U.S. exports to Madagascar were valued at \$2,491,391; in 1964 U.S. exports almost doubled, to slightly over \$3,950,000. This expansion of trade to Madagascar has occurred both in the industrial area and for U.S. surplus agricultural commodities. This major expansion in export trade took place while U.S. imports from Madagascar were expanding also, but at a lesser rate of increase.

Sugar economy of the Malagasy Republic

Madagascar sugar production has expanded significantly since 1954. The country now has not only become self-sufficient, but has started exporting significant quantities of sugar. Sugarcane is grown throughout the island, but its industrial production is limited to several growing regions in the west (Namakia, near Majunga), the northwest (Ambanja, the island of Nossi-be, and Ambilobe), and on the east coast (Brickaville and Tamatave). The cane is processed in factories at Namakia, Nossi-be, Ambilobe, and near Brickaville. Significant quantities started to be exported in 1957. Of its current 125,000 short tons of production 77,000 to 80,000 short tons of raw sugar is now normally exported to European countries, France, and other areas, including Africa and recently the United States (in 1964).

Malagasy Republic sugar production exports consumption, 1955-64

[1,000 short-tons raw value]

Year	Production	Exports	Consumption
1955.....	37	3	22
1956.....	51	1	24
1957.....	65	12	25
1958.....	77	45	26
1959.....	72	36	29
1960.....	96	48	31
1961.....	97	51	39
1962.....	96	66	43
1963.....	125	77	42
1964.....	84	77	48

Source: International Sugar Council Statistics and Publications.

Madagascar sugar and the U.S. market

Before 1964, however, the Malagasy Republic was not permitted to export sugar to the United States, though it was most anxious to do so. This interest of course was heightened by the fact that the U.S. price between 1957 and 1963 averaged 2½ U.S. cents a pound higher than the world price.

In early 1963 the price situation reversed itself. The world price started to climb and then exceeded the U.S. price. It became disadvantageous price-wise to sell to the United States. In November this disadvantage was at its greatest. As the chart shows, the U.S. price in November 1963 was 3.23 cents a pound lower than the world price. It was then that Madagascar was first permitted to export to the United States.

U.S. sugar supply situation 1963 and 1964

The U.S. supply of sugar was in some difficulty as a result, since the United States normally depends on foreign countries for up to 45 percent of its supply and most foreign sources were tempted by the higher world market prices.

However, since most of the foreign countries which normally supplied the United States had had the advantage of the many previous years when the U.S. price was higher than the world, it could have been expected that they would continue to sell to the United States even in a period of price disadvantage. In early November 1963, the U.S. Department of State sent letters to most of the sugar producing countries of the world, including one sent on the 5th of November, 1963 to the Foreign Minister of the Malagasy Republic, asking whether they could ship sugar to the United States during 1964. The letter stated that the United States would give consideration in establishing its new quotas in the new sugar legislation to the amounts that were offered and shipped to the United States as a result of this letter.

Malagasy Republic response to United States request

The Malagasy Republic's response to this letter was quick and, in view of the circumstances, generous. At the time that this request was made the U.S. price for sugar was \$9.34 per hundred pounds and the world price was \$11.63 per hundred pounds. If we reduce the U.S. price by duty and by shipping costs to the United States since Madagascar could have sold sugar at the world price to markets in the nearby area, the differential between what the United States would pay and what Madagascar could get elsewhere would have been up to \$4 per hundred pounds.

At that time it was by no means clear that a differential in favor of U.S. prices would ever be reestablished. Yet without hesitation, in December 1963, 11,550 tons of sugar were promised to the U.S. market. In late April, when a differential in favor of the world market still existed, Madagascar offered an additional 5,500 tons of sugar to the United States for a total commitment of 17,000 tons, more than one-quarter of its export supply. In the context of today's sugar market, these commitments perhaps may not seem important, however in late 1963 and early 1964, it seemed to observers, based on actual trading in the futures market, that the U.S. price for sugar would continue to be lower than the world market price for some time to come, possibly for many years. For a country with such limited financial resources to devote more than 25 percent of its exportable sugar to the U.S. market at such a time was a remarkable decision, especially when it meant a sacrifice of almost 50 percent of the net revenue that it might otherwise have expected.

While Madagascar's decision was made with some expectation that it would thereby be enabled to expand its trade with the United States, the most important impetus was a feeling of friendship and a desire to establish closer economic and political ties with the Western Hemisphere.

Response of other countries

As stated, it is understood that similar requests were made by the United States to every sugar-producing country in the world with the exception of those behind the Iron Curtain, and Cuba. The Malagasy Republic is not, of course, in a position to know what the responses were, but the record of what actually happened in 1964 speaks for itself. A few highlights from the actual record should be noted:

In all, in 1963, 31 countries had exported sugar to the United States. As exporters of sugar to the U.S. market, all of these countries had benefited in the past by the favorable price situation in the United States as compared with the world market. For most of these countries such price benefits had existed since 1960 and for some of the countries for many, many more years.

Of the 31 countries which supplied sugar to the United States in 1963 and prior years, only 8 increased their exports in 1964 to the United States, presumably in response to this urgent appeal.

Of the eight countries which increased exports to the United States, only two supplied more than fractional increases in 1964 over 1963.

Several countries which had supplied sugar in 1963 supplied nothing in 1964. One country, Mexico, increased its exports in 1964 compared to 1963 by a substantial quantity from approximately 379,000 tons to 491,000 tons.

One country, the Malagasy Republic, had never supplied sugar in prior years, had no history of advantageous sales to the United States in the past, yet volunteered to export sugar to the United States in 1964.

It is possible, of course, that many of the countries who, in effect, failed to respond to the U.S. plea, failed to do so because of hurricanes and natural disasters or crop failures, and were not in a position to expand exports. However, it is worth noting that a number of such historic suppliers to the U.S. market not only chose 1964 as a year in which to decrease their exports to the United States but also as a year in which to expand their exports to other markets.

Position of Malagasy Republic

The Malagasy Republic has no quarrel with any other country as a supplier of sugar. It wishes only to point out that in the sugar field, the Malagasy Republic did not have an obligation to the United States, yet out of friendship chose to help.

Madagascar is the only newly independent country of Africa that participates in the sugar trade of the United States. While Africa as a whole is not yet as important a sugar-producing area as others, it has plans for expansion of agriculture in that direction. There are a number of sections of Africa that are well suited to the production of this important commodity and Africa as a whole is developing its agriculture rather later than most of the countries of Latin America and the Far East. While in no way wishing to challenge the position of those countries that have had long and remunerative trade relationships with the United States, it is felt that the ability of Africa to participate in such an important market as the U.S. sugar market should not be hampered by the lack of a history of having exported such a commodity in the past, when in fact this important area has not been in a position to develop its ability to produce such commodities until very recently.

The Malagasy Republic feels that it is representative of Africa and that the U.S. response to its very modest requests will be interpreted by the other African countries which are producers of raw materials and agricultural materials as an indication of the way in which the United States intends to deal with the serious economic problems of this area. For this reason it is urged that serious consideration be given to granting quotas in accordance with the intent and rare good will evidenced by the Malagasy Republic rather than by using a bare mathematical system which, no matter how carefully weighted, cannot reflect the true state of affairs.

The Malagasy Republic request

Accordingly, the Malagasy Republic requests that the administration and the Government of the United States consider granting a minimum quota to the Malagasy Republic of three cargoes of sugar, totaling 30,000 short tons, raw value.

A further consideration is the possibility of imposition of a fee by the U.S. Government to recapture the difference between the world price and the U.S. price. While this may have a certain merit, from the point of view of the suppliers of sugar to the United States who are very close in time and distance to the United States, the imposition of such a fee presents serious difficulty for the Malagasy Republic.

U.S. sugar receipts from foreign countries

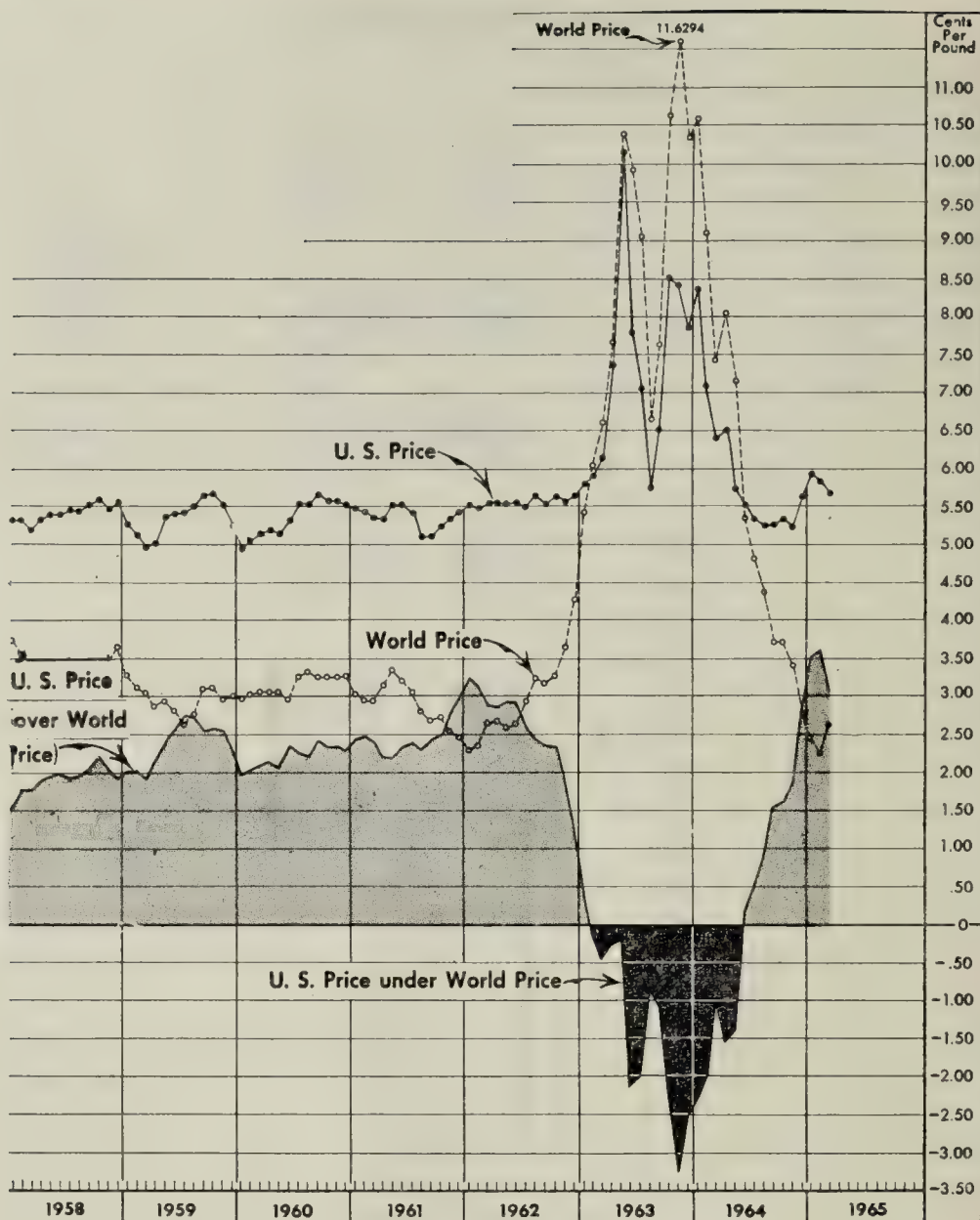
[In short tons, raw value]

	1963	1964		1963	1964
Argentina.....	228, 573	19, 828	India.....	118, 969	110, 562
Australia.....	223, 593	216, 705	Ireland.....	9, 982	-----
Belgium.....	7, 364	5, 192	Madagascar.....	-----	11, 569
Brazil.....	469, 833	183, 708	Mauritius.....	66, 617	-----
British Honduras.....	1, 712	6, 006	Mexico.....	379, 371	490, 843
British West Indies.....	141, 359	142, 212	Nicaragua.....	38, 402	50, 351
China, Republic of.....	71, 272	81, 166	Panama.....	10, 225	19, 276
Colombia.....	45, 028	28, 304	Paraguay.....	4, 689	-----
Costa Rica.....	40, 649	40, 537	Peru.....	413, 431	235, 000
Dominican Republic.....	590, 005	411, 501	Philippines.....	1, 194, 847	1, 216, 247
Ecuador.....	56, 491	57, 931	Reunion.....	20, 870	-----
El Salvador.....	18, 967	20, 582	South Africa.....	132, 282	119, 957
Fiji Islands.....	48, 573	54, 491	Southern Rhodesia.....	10, 598	10, 271
France.....	38, 583	5, 343	Turkey.....	13, 619	-----
French West Indies.....	94, 312	37, 194	Venezuela.....	11, 916	4, 289
Guatemala.....	51, 059	37, 747			
Haiti.....	40, 433	15, 028	Total.....	4, 593, 624	3, 631, 840

Source of information: Sugar Repts. No. 153, February 1965.

U.S. dollar exports to Malagasy Republic, 1960-64

Item	1960	1961	1962	1963	1964	Percent change, 1964 over 1959
Food and live animals including milk and cream, cereal preparations and fruit preparations	\$833	\$62,348	\$187,530	\$206,929	\$322,318	38,859
Tobacco and beverages	52,832	39,306	46,943	89,539	131,685	+149
Crude materials, inedible, mostly textile fabric waste	828,579	209,285	192,966	120,073	18,302	-97
Mineral fuels, lubricants, and related products (mostly petroleum)	100,652	401,150	358,703	113,693	220,885	+119
Chemicals including paints and drugs	23,502	20,809	43,366	77,554	52,693	+124
Manufactured goods including hand tools, rubber products, madeup textiles, and iron and steel products	58,015	85,567	45,072	78,682	174,377	+200
Machinery and transport equipment including agricultural machinery, machinery for special equipment, road motor vehicles, aircraft and electrical machinery	1,371,640	1,344,238	1,675,012	2,485,664	2,468,844	+80
Manufactured articles including furniture, instruments, and printed matter	22,179	45,366	44,113	48,150	49,237	+122
Special shipments	33,159	48,136	164,027	197,801	512,095	1,328
Total, U.S. exports to Malagasy	2,491,391	1,895,205	2,757,732	3,418,085	3,950,436	+58



Senator LONG. Mr. John R. Mahoney, representing the South African Sugar Association.

STATEMENT OF JOHN R. MAHONEY, REPRESENTING THE SOUTH AFRICAN SUGAR ASSOCIATION; ACCOMPANIED BY WILLIAM BARNES AND ERNEST MORRISON, MEMBERS OF THE EXECUTIVE, SOUTH AFRICAN SUGAR ASSOCIATION

Mr. MAHONEY. Mr. Chairman, members of the committee, my name is John Mahoney. I am appearing here today on behalf of the South African Sugar Association which has a very vital stake in S. 2567 and H.R. 11135, the legislation now pending before this committee.

The South African sugar industry has existed for over 100 years. At present there are 3,689 Negro, 2,144 white, and 1,820 Indian independent sugarcane growers in the industry who produce over three-fourths of the cane. The remaining 23 percent is produced on the estates of 17 mills, most of which are public stock companies; 1 is a cooperative organization, another is owned by an Indian family.

The South African Sugar Association is a purely commercial organization embracing every grower and miller and is responsible for the marketing at home and abroad of all sugar produced in the Republic of South Africa. The association has no governmental representatives in its membership and takes no part in governmental policy decisions.

S. 2567 which the administration, through the Departments of Agriculture and State supports, properly reflects reliable performance as the basic criterion for the allocation of foreign quotas.

South Africa was first awarded a quota in 1962. Its performance in supplying the U.S. market during the intervening years has been of the following order:

	<i>Tons</i>
1962-----	97, 000
1963-----	131, 000
1964-----	120, 000
1965-----	103, 000

The South African Sugar Association requests the Senate to enact the proposals made by the administration in S. 2567 which proposed a quota of about 100,000 tons for South Africa. We believe that in making these proposals the administration has judged South Africa fairly on its performance in supplying the United States, particularly when the United States desperately needed sugar during the emergency in 1963 and 1964.

In our view, the Senate must give serious consideration to the necessity for supporting the commitment made by the executive branch to foreign suppliers in October 1963 that those countries that pledged sugar promptly would be given special consideration when the time came to allocate new quotas. That time is now at hand.

I think it is important for you gentlemen to understand that the South African Sugar Association has a somewhat different view of our Government infrastructure than you or I do. The Senate should judge the perspective and recognize the implications which flowed from the telegrams sent in October 1963, a copy of which, together with the reply by the South African Sugar Association, is attached as appendix A.

The South African Sugar Association regards the U.S. Government as being represented abroad by our diplomatic forces, in this case the U.S. Embassy at Pretoria. Therefore, the South Africans naturally regarded this cable as an assurance from all of the U.S. Government, not just the executive branch. They have just learned in the last few weeks that the House Agricultural Committee did not associate itself with the Government's cable, but they want to make it clear that they were not aware of this in 1963. In retrospect, the South African's view of the undertaking given in the cable may appear naive, but there must be no doubt in your mind that the South African view of the cable was just as I have now described it.

The South African Sugar Association felt that it was cooperating with the United States at the request of the U.S. Government and did not suspect for one moment that any undertaking such as that given in the cable would not be supported by Congress.

It is a matter of record that the South African Sugar Association was one of the first to respond to the appeal by the United States when, in early November 1963 within a few days of its receipt, South Africa offered to supply approximately 155,000 tons during 1964. At the time of this commitment, the South African Sugar Association was fully aware of the price disadvantage then existing, but accepted this disadvantage because of the assurances given of the manner in which future quotas would be allocated. S. 2567, which awards South Africa a quota of approximately 100,000 tons, is consistent with the assurances we received.

We are disappointed to find that the quota recommended in H.R. 11135 amounts to only 29,000 tons. This is not consistent with South Africa's performance of over 100,000 tons each year. We find that the quota proposed for us by the administration was reduced in the House by 69 percent, far more severely than any other supplying country. In this connection, we have attached appendixes D and E which show dramatically how much more severely we were cut than any of the other foreign suppliers. Frankly, we do not understand the reason for this treatment by the House Agricultural Committee. We cannot believe that the Senate can reconcile this treatment with the assurances contained in the cable we received from the U.S. Embassy in Pretoria.

Since the emergency of H.R. 11135 we have attempted to ascertain what criteria the Committee on Agriculture of the House of Representatives used in setting the quotas.

The committee print entitled "The Development of Foreign Sugar Quotas in H.R. 11135" issued on October 13, 1965, sets out on pages 5 and 6, nine factors considered by the committee in changing the quotas recommended by the administration. These were:

(1) Ability to supply the required amount of sugar to the U.S. market.

(2) Ability (particularly among the larger suppliers) to carry reserves of up to 30 percent to meet emergencies or increases in demand.

(3) Ready availability of supply—with preference to Western Hemisphere producers—because of a delivery time of 2 to 3 weeks, compared with a delivery time of 6 to 8 weeks for other countries.

(4) Stability of supply—including the element of stability of the local government.

(5) The economic need of the country for a U.S. quota and the relative value of a quota to such country.

(6) Purchase of, and potential market for, U.S. agricultural commodities, including the balance of trade relationship with the United States.

(7) Reasons of national policy and strategy, including unusual military or strategic importance of the nation receiving a sugar quota.

(8) Friendliness of the government and support of U.S. foreign policy—particularly in the U.N. and the OAS.

(9) The record of performance in making deliveries to the United States in 1962, 1963, and 1964.

Although not in the Western Hemisphere, South Africa is surprisingly close to the sugar importing ports on the eastern seaboard of the United States compared with some countries in the Western Hemisphere. We are closer than all other non-Western Hemisphere cane sugar suppliers. Ships loaded with South African sugar reach New York within 3 weeks. One American sugar ship reached Boston in less than 16 days after leaving Durban.

The sea route is direct and completely through open waters. It does not pass through any foreign country, through any canal, or through any straits which may be subject to foreign interference.

Moreover, we are able to ship sugar more quickly to the United States than distances or sailing times alone imply because of the efficiency of dispatch from the port of Durban. Even before we recently improved our facilities, we were able to deliver the world's largest sugar cargo, 25,490 tons to New Orleans in September 1964 on the SS *La Chachra*. Since that time we have completed a bulk sugar loading installation at Durban which began operation in April 1965. A brochure prepared to mark the official opening is in the folder. The 200,000-ton capacity of this store makes this the largest single shed sugar storehouse in the world, and it can load a 10,000-ton ship automatically in all kinds of weather in less than 1 day.

The installation can handle nearly 1 million tons in a year and eliminates any problems of port congestion. However, we are not standing still but in order to improve on this already high standard of efficiency and reliability we are expanding the storage capacity of this facility to one-half million tons, the equivalent of 50 shiploads. How many other countries have 200,000 tons of sugar storage within 3 weeks delivery time of the United States?

In terms of speed and reliability of delivery, the disadvantage of not being situated in the Western Hemisphere is not as real as it may at first appear.

Also, insofar as factor 5 is concerned, should the fact that South Africa has never asked for nor received foreign aid from the United States react to our disadvantage in maintaining our established level of exports of sugar to the United States?

Because we rely on trade not aid, it is important that our trade in sugar should not be drastically curtailed.

Next, we want to show the excellent way South Africa qualifies on all the factors enumerated in the committee print.

Ability to supply

Our record of supplying the United States surely removes any possible doubt about the ability of South Africa to supply 100,000 tons per annum to the United States as S. 2567 proposed. Indeed South Africa could easily supply the United States with about 400,000 tons of sugar annually.

Ability to carry reserves

Our new port storage facilities, described previously, are such that South Africa will have available tremendous reserves of sugar with which to meet any emergency or increases in demand in the United States at any time of the year. We have proved our ability and willingness to supply the United States in the past. For example, in the latter half of 1962, South Africa shipped 85,000 tons of sugar over

tomor of the United States and ranks 1st in Latin America insofar as cash agricultural purchases from the United States. For example, Venezuela purchases from the United States large annual amounts of livestock; agricultural commodities such as wheat, fruits, cereals, and vegetables; also, agricultural and industrial machinery; and chemicals, to name a few.

In the years 1962-64, U.S. exports to Venezuela jumped from \$465 to over \$600 million and are still increasing. On the other hand, in recent years one-third, or about 40 percent, of Venezuela's exports, mostly in oil and its derivatives and iron ore, are sold to the United States. This means that, relative to the other countries, Venezuela buys a larger proportion of diversified purchases from the United States and sells a smaller proportion of her exports to the United States. The allocation of Venezuela's requested permanent sugar quota would, Mr. Chairman and members of the committee, help to reduce this imbalance and give validity to the U.S. policy regarding reciprocal trade particularly in the Western Hemisphere.

As stated earlier, if there is one particular factor which has been a disturbing element to the Venezuelan Government and its people, it is the reliance on a single product such as oil as the keystone of its economy. The present Government has an acute awareness of this situation and has taken all possible steps and measures in conjunction with private industry to enlarge the economic activities of the country by diversifying agricultural production in the way of increased sugar production and industrial expansion.

Mr. Chairman, and members of the committee, you well know how very important agriculture is to the progress and growth of any country. I need not tell you it was the foundation on which the economy of the United States prospered and grew.

I am sure you will be interested to know that of the 800,000 workers engaged in agriculture in Venezuela, approximately 50,000 are engaged in sugar production.

It is elementary that a sound and developing agricultural sector will not only enhance the well-being of a country's rural population, but will strengthen the political stability of the country as well and will assure more widespread sharing of the benefits of economic development. In this respect, Venezuela's modest requested permanent sugar quota, which it is qualified to fulfill, is in consonance with its desire to achieve a healthy agricultural environment and greater diversification of its economic activity.

Because of Venezuela's good fortune in having such expansive mineral reserves, its political stability is of particular meaningfulness to the Western Hemisphere and more specifically to Latin America. Those entrusted with the reins of government, from President Raul Leoni down, are well aware of the extra need for the preservation of freedom and security, so that not only will its people benefit from these resources, but that Venezuela also will be enabled to contribute to the development of the free world by continuing as a valuable ally to the United States and the Western Hemisphere.

In assisting Venezuela to diversify its export trade, by way of a permanent sugar quota, you and your committee, Mr. Chairman, would contribute greatly to Venezuela's economic, social, and financial strength, thereby permitting her to be ever on the alert to prevent the

exportation of communism as practiced by Castro, not only in Venezuela but in Latin America as well.

In recent years, the democratic Government of Venezuela, under Presidents Betancourt and his successor, Raul Leoni, has moved with great vigor, industry, and imagination to expand its facilities for education and health, to provide opportunity and security for its workers, to develop transportation and other essential facilities for economic development, and above all to pursue sound fiscal and monetary policies designed to achieve that kind of prosperity and that kind of system of incentives and those institutions which will bring about a more widely distributed prosperity and economic soundness, thereby making for a greater stability in the Government.

The confidence and regard that U.S. private industry has for Venezuela and its people is borne out by the amount of American investment which approximates \$3 billion. These investments are held by some of the most outstanding and influential corporations in the United States.

Mr. Chairman and members of the committee, I would like to say that my statements regarding the Venezuelan Government and the Venezuelan sugar industry are based on firsthand knowledge, since some few months back I spent 10 days in Venezuela during which time I visited various sugar mills and observed their operations, and spoke with sugarcane workers, landowners, farmers, mill management, labor union officials, and Government officials having an interest in sugar production.

I would like to say, Mr. Chairman, that I have been advised by Venezuelan officials that Venezuela would, if requested, be willing to set aside a standby reserve of sugar in reasonable proportion to the amount of its permanent quota.

I also discussed the operation of Venezuela's sugar industry and its request for a permanent sugar quota with American Embassy officials in Caracas, including the minister counselor, the economic counselor, the agricultural attaché, and the labor attaché. Our Ambassador was absent from Venezuela at the time of my visit.

I would like to mention at this point, Mr. Chairman and members of the committee, that everywhere I traveled in Venezuela, and it was extensively, I found nothing but the friendliest of feelings on the part of the Venezuelan Government officials and the people for the United States and its institutions. I would also like to say, Mr. Chairman, that before leaving for Venezuela, I spoke with appropriate officials of the State Department, Agriculture Department, and Commerce Department regarding Venezuela's economy, particularly its sugar industry. On my return from Venezuela, I communicated with the same Government officials and gave them a rundown on my trip.

In conclusion, permit me to say, Mr. Chairman, that Venezuela is a free, constitutional, Democratic government, patterned after the U.S. Government and has proven herself a bulwark against communism in Latin America, thus making herself a strong and effective link in our Western Hemispheric chain of security.

Venezuela stood resolutely by our side in the late Cuban crisis, and has outlawed the Communist Party, knowing full well that the greatest threat to peace, liberty, and economic and social and spiritual progress in the Western Hemisphere lies in the menace of communism.

The Venezuelan Government, as recently as November 1964, in a gesture of friendship to the United States accelerated by 4 years the payment of the balance of its \$75 million loan with a payment of \$60 million to the Export-Import Bank, thereby helping the United States to reduce its deficit in its balance of international payments.

Mr. Chairman and members of the committee, it is our considered judgment that Venezuela meets all the criteria laid down in the Sugar Act of 1937, superseded by the Sugar Act of 1947, in that she is a nearby friendly country and should be permitted to participate equitably in supplying the United States sugar market by way of a permanent quota, thereby expanding our international trade and permitting Venezuela to assist the United States in maintaining a stable and adequate domestic supply of sugar.

It is our further judgment that the best interests of the United States would be served by your committee, Mr. Chairman, in granting Venezuela's request for what proportionately could be described as a very modest permanent sugar quota of 40,000 tons, thereby helping to strengthen her Democratic free government, bolster and diversify her economy, thus giving viability to the spirit, the intent, and the philosophy of the Sugar Act.

Projected Venezuelan sugar estimates for years 1965 to 1970

[In short tons]

Year	Production	Consumption	Surplus
1965.....	374,000	308,000	66,000
1966.....	379,500	321,200	58,300
1967.....	396,000	335,500	60,500
1968.....	412,500	352,000	60,500
1969.....	429,000	365,200	63,800
1970.....	445,000	380,600	64,400



**SUPPLEMENTAL STATEMENT OF CHARLES PATRICK CLARK, VENEZUELAN SUGAR
DISTRIBUTING ASSOCIATION**

DVA

DVA was organized as per charter duly registered in Caracas, Venezuela, on March 19, 1956, as a limited liability association under the pertinent provisions of the Venezuelan Commercial Code. The financial interests of the participants in a limited liability association are represented by units, each unit equal to a fixed percentage of the capital and not, as corporations, by individual shares of stock evidenced by certificates.

DVA represents the interests of 12 sugar mills comprising 95 percent of the sugar produced in Venezuela.

DVA was created for the purposes of having a single clearinghouse for handling all sales and distribution of sugar. The necessity for its creation was due to the rapid and uncontrolled expansion of the sugar industry between 1950 and 1956, in which producers found themselves confronted with production far in excess of domestic consumption and total lack of proper management of supply.

The internal structure of DVA is as follows: the final authority is vested in the associates, who meet once a year and elect a board of directors, the president, two vice presidents, a general manager, and a comptroller, all of whom are elected for a 1-year term.

Management and policy decisions are vested in the board of directors. Each of the 12 sugar mills are represented on the board of directors by one member and three alternates who meet once a week. Decisions are taken by 65 percent of the capital represented at the meeting except for loans where 90 percent approval is required.

There is also, within DVA, an advisory committee having equal representation from the mills and canegrowers. This committee has jurisdiction over all sugar matters pertaining to selling prices, exportation and importation, terms and conditions of contracts between DVA and canegrowers, and production agreements.

The first task of DVA in 1956 was to prepare a program which would dispose of sugar surpluses. This was accomplished by programing exports to the world market over several years and by the establishment of voluntary acreage limitations among the producers. Both undertakings being successful, they brought stability out of chaos in the industry.

The principal functions of DVA may be summarized as follows: to provide for the distribution of sugar to domestic consumers at the lowest possible cost; to receive on consignment sugar produced by associated mills; to sell, under its own terms and conditions, the sugar thus received; to obtain loans for its associates and to act as depository of the sugar given by them as collateral; to stimulate the consumption of sugar; and to act as agent of its associates in purchase of sugar, machinery, and related items.

To assure efficiency in the management of the sugar industry. DVA maintains very complete data and is recognized by Government and private industry as having the most accurate industrial statistics in Venezuela.

DVA acts as an intermediary between the sugar producers and lending institutions in the financial negotiations involving sugar consigned to DVA, maintaining controls satisfactory to the lender and thus simplifying the processing of the loans.

DVA has benefited the sugar industry by rationalizing its sales and distribution system, it has kept sales and distribution costs to a minimum and has provided for easy and timely financing of sugar stocks.

DVA has benefited the canegrowers by stabilizing their income and making credit sources available; also by making available very valuable information on sugar yields, varieties, and productivity.

DVA has benefited the consumers by maintaining a plentiful and stable supply of sugar at reasonable prices..

THE VENEZUELAN SUGAR INDUSTRY

Sugar has been produced in Venezuela for 400 years, but the first mills were not installed until 1905. The industry was a small one up to the mid-1950's when both the Venezuelan Government and private capital began an intensive development of the country's sugar resources.

A Government sugar program was developed to strengthen the agricultural economy of the country, insure employment in the undeveloped areas and provide domestically an essential food product for which large amounts of foreign exchange had been required in earlier years. Several sugar mills were built through Government financing. The Government plan was to develop these sugar mills into financially sound businesses and then make it possible for the cane farmers who supplied the mills to purchase the milling facilities. At the present time, the Venezuelan Government owns six sugar mills, the largest of which accounts for 45 percent of its total production; this mill was formerly owned by canegrowers who met with financial problems causing the Government to undertake the operation of the mill.

The total investment in sugarcane farming, involving land, irrigation, farm machinery, housing, storage, and other facilities, amounts to approximately \$55 million. The working capital employed by the industry is about \$10 million. The total investment in American mill equipment is approximately \$58 million. Total investment in the sugar industry amounts to \$102 million after depreciation, the net return on investment capital being a little less than 7 percent per annum.

It is obvious that the survival of the cane sugar industry of Venezuela depends on a fair price for the sugar producers. In spite of increased productivity in the fields and the high efficiency of the mills, the basic elements of the economy of Venezuela will not permit production costs to be lowered to meet world market prices. This is due in part to the wealth created by Venezuela's petroleum resources and in part to ecological factors which are more favorable to other producing countries.

The production cost of raw sugar in Venezuela is about 6½ cents per pound. Refined sugar, which retails at 10 cents per pound, is sold at the mill for 8.3 cents per pound or about seven-tenths of a cent over the manufactured cost. This domestic price structure has permitted the growth of a modern, efficient industry and has encouraged the search for increased productivity. The surplus now being produced is the result of this increased productivity in field and mill.

Venezuela has not sought participation in the American sugar market in the past for the following reasons: (1) Such surpluses as have existed in the past

were due to adjustment of a rapidly growing industry to the internal demand for sugar and Venezuela was not in a position to guarantee the supply of a sizable amount of sugar over a long period of time. Now Venezuela, with her rapidly growing sugar industry, is in a position to participate in the U.S. sugar market and is ready and willing and desires to participate equitably with her Latin American neighbors and (2) the U.S. purchase price for sugar is very close to Venezuela's cost of production.

The importance of the Venezuelan sugar industry to the development of a stable agricultural base for the economy of Venezuela has been demonstrated by the following facts:

The industry employs approximately 50,000 persons in the areas that would not otherwise have important economic activity.

It has been proven that sugarcane can produce the best economic return of any large volume crop suitable for Venezuelan agriculture.

The sugar industry is the most important agricultural industry of Venezuela, it contributes 1 percent of the gross national product and shows a productivity per individual employed seven times greater than any other agricultural endeavor of the country. It has been growing at a rate of 10 percent per year, whereas the economy as a whole has been growing at 6 percent yearly during the last decade.

Thus, the sugar industry creates a flow of wealth to the interior of the country, in great need of development away from the main cities which carry 93 percent of Venezuela's economic activity; hence a more balanced growth is attained and social problems are eliminated.

As a result of the increased productivity of the sugar industry, Venezuela can now count on a minimum annual surplus of 60,000 tons of sugar for the next 10 years.

LABOR-MANAGEMENT RELATIONS IN THE SUGAR INDUSTRY

Labor relations in the sugar industry have been excellent, and have produced outstanding benefits for the workers. The fine labor-management relations in the sugar industry have been an important factor in the industry's increased productivity.

The collective bargaining contract between the sugar industry and labor was signed on June 2, 1959, by the sugar mill owners and FETRACADE, a labor organization, representing all the sugar workers' unions of the country. This contract contained many benefits in addition to those included in the basic labor law, such as:

- Prizes for nonabsenteeism.

- Bonuses on births of children.

- Increased wages for night and overtime work.

- Paid days off for death or sickness in the family.

- Bonuses and paid time off when worker marries.

- Payment on worker's death to his family of all sums due the worker if he had been discharged.

- Payment of 19 days wages for 15 days vacation.

- Supply of school supplies and scholarships for worker's children.

- Free medical assistance and medicines for workers and their families.

In January 1962 a new contract was signed embracing the same benefits contained in the 1959 contract, plus the following benefits:

The millowners agreed to facilitate the establishment of consumers cooperatives among their employees, provide the capital, the stores and the technical assistance required for the successful operation of the cooperatives.

The millowners agreed to carry out a program to provide housing for every worker in the industry.

The factories agreed to contribute to a collective life insurance program and to a system of credit cooperatives.

The 1962 labor-management sugar contract has been an outstanding success and has been recognized by Latin American organizations as an outstanding accomplishment in the field of labor-management relations.

Since the 1962 contract went into effect, over 1,000 homes have been built in 11 communities near the sugar mills. A group insurance policy covers all home purchasers against total or partial loss of earning power and insures full homeownership against all risks.

Cooperative stores have been organized by a cooperative society which operates them on its own responsibility, with the workers buying stock according to their means, on a voluntary checkoff basis. Workers willing to invest in the

co-ops may get loans from the sugar companies for as much as 90 percent of their commitments, without interest. The expansion of the sugar business has shown the need for a wholesale cooperative to centralize purchasing for all sugar mill cooperatives, which could be made available to other supermarkets in the country.

Status of the sugar worker

The average base salary of the industrial sugar worker is \$4.400 per day, that of the agricultural worker is \$3.30 per day. Fringe benefits amount to 40 percent of base industrial salary. Child labor is prohibited under Venezuelan law.

Every sugar industry worker has the option to buy a house valued at 10 times his monthly wage, up to 40 percent of the value of such housing is paid by the sugar millowners. The balance can be financed through Government agencies for 20 years without interest. This program involves a contribution of some \$2,200,000 on the part of the millowners.

The workers of each sugar mill have the right to establish either consumers cooperatives or mutual loan funds, to be financed by interest free loans from the millowners.

The sugar worker shares in the profits of the company and may receive up to one-sixth of his salary as his share.

The worker receives free medical assistance and medicines for himself and the members of his family.

The object and result of the sugar industry labor policy is to provide stability for the industry and incentive for the worker. The sugar industry worker is now the most productive and best paid employee in Venezuelan agricultural industry.

United States-Venezuela relations

The United States and Venezuela have enjoyed friendly relations for over a century and a half. As early as the year 1824, the United States and Venezuela entered into a Treaty of Friendship, Navigation, and Commerce, and over the years both countries have entered into many commercial and reciprocal trade agreements, the latest being in 1952.

Immediately after Pearl Harbor was attacked, Venezuela declared war on Japan and Germany. Venezuela rendered many affirmative services to the United States and the allied cause during the war, among other things, it guaranteed the United States and the Allied Nations a continuing supply of oil, so essential to the free world and victory.

Venezuela supported, unequivocally, the position of the United States in the recent Cuban crisis.

We should like to record the late beloved President Kennedy's sentiments toward the Government and people of Venezuela on his triumphal visit to that country in December 1961: "I come to Venezuela as the first American President to make an official visit to your country. But, in a very real sense, I also came in the footsteps of another American President—Franklin Roosevelt, for it was he who understood the interdependence of my country and yours—who swept away the outmoded attitudes of the past—who looked to you for help and guidance in times of deepest danger—and who dedicated my Nation to the policy of the good neighbor.

"In 1936, President Roosevelt said, in Buenos Aires, that lack of social or political justice is always cause for concern. Through democratic processes, we can strive to achieve for the Americas the highest possible standard of living conditions for all our people."

"Here in Venezuela, that principle—the achievement of social and economic justice under democracy—is being carried forward. Your distinguished President, Romulo Betancourt, is demonstrating the capacity of free men to realize their aspiration without sacrificing liberty or dignity.

"He has reestablished democratic government after a decade of dictatorship—and he has carried forward a solid and responsible program of economic progress after a decade of false show, waste, and indifference to the needs of the people. The liberal, progressive democracy which he represents is the best hope of the Alliance for Progress.

"And so on this, my first visit to Latin America, I come to take counsel with your leaders—to learn more of the problems of your country—to demonstrate the deep concern of my people for their friends to the south—and to witness the magnificent example of vital democracy which is being carried forward in Venezuela."

President Betancourt, of Venezuela, replied to President Kennedy as follows: "To you, Mr. President and the Secretary of State, I wish to say that I may be President of a small Latin American country with only 8 million people, but I can assure you, Mr. President, that I, as President now, and others who will follow me, will work together so that Latin America will become what you have so eloquently described. We want to work for a serious transformation of Latin America, for a change in depth of its economic and social structures. We want to benefit our people, who are under attack of Soviet propaganda that is so cunningly channeled through Havana. If we don't fulfill our task, the continent will still be poor when Castro's regime is gone; there will still be economic underdevelopment and life conditions will still be unacceptable. Those who think as I do, do not pretend and do not claim that the United States alone can solve these problems. I believe that our own efforts and our own work are extremely important, and this is actually the philosophy of the Alliance for Progress. Venezuela stands with the United States in common dedication to the Western democracies and Christian values."

President Lyndon Baines Johnson, in dedicating the Venezuelan Pavilion at the World's Fair in New York on May 9, 1964, expressed the historic, traditional, and friendly relations existing between United States and Venezuela, when he stated: "This is a real honor for me to come here today and be with my old and delightful friend, President Betancourt."

"As President of a democracy, I am proud to be present at the pavilion of another great democracy whose vision and spirit have lighted not only this hemisphere but all the world, and to be present here with the leader of that democracy during the time that great effort was being made."

"Under progressive leadership, Venezuela is moving vigorously and moving successfully to prove, as Franklin D. Roosevelt said, that 'democracy is the one form of society which guarantees to every new generation of men the right to imagine and to attempt to bring to pass a better world.'"

"Every nation, whatever its system of government, whatever its ideological fate, must take note of President Betancourt's and Venezuela's progress in improving the general welfare of her people, in stimulating its economy, in doing that which is good for humanity."

"Mr. President and Mr. Ambassador, your country is in the vanguard of a better world. Your progress demonstrates that social reform and economic development are possible within a democratic constitutional framework and that such a framework offers the most hope to the most people, the greatest good for the greatest number."

"But I do want you to know that we are going to forge full steam ahead to build the kind of hemisphere that you and my predecessor, the late, beloved John F. Kennedy, envisioned together, and we will execute it together."

Venezuela under its Presidents—Romulo Betancourt and Raul Leoni—has been irrevocably committed to the principles of free constitutional government, feeling that under this form of government man can achieve a great measure of freedom, as well as a larger measure of prosperity. These principles have often been enunciated by the present Venezuelan Ambassador to the United States, Enrique Tejera-Paris.

This philosophy of government was eloquently expressed recently by President Leoni, when he said: "We are thus building the foundations of a democracy which is conscious of its social mission. We place emphasis on the social content of our regime because without it all efforts to achieve dynamic change would be in vain. And in spite of the threats posed and the aggression to which we are subjected, all Venezuelans—civilian or military, entrepreneur or worker, university student or technician—are without loss of liberty realizing the fruits of revolutionary change. Though we may have made a late entrance into the 20th century, we now live in the serene conviction that we will arrive on time at the threshold of the 21st."

Government of Venezuela

The Venezuelan Government is a free constitutional democratic form of government, patterned after the U.S. Government, divided into three branches, the executive, legislative, and judicial.

The President is elected by the people for a period of 5 years and cannot seek reelection until 10 years subsequent to the end of his term of office.

The President appoints his own Cabinet Ministers, 13 in number, who head the executive departments; acting jointly, they comprise the Council of Ministers.

The Venezuelan Congress consists of a Senate and a Chamber of Deputies elected by the people for a term of 5 years. Congress is required to meet twice a year. All legislation must be passed by both Houses of Congress; any differences between the two Houses are resolved by a majority vote of the Houses in joint session.

The judicial branch of the Government is vested in a Supreme Court of Justice composed of 15 justices and various lower courts. Justices of the Supreme Court are elected by Congress in joint session for 9-year terms, one-third being renewed every 3 years. The Supreme Court has the power to declare any executive or legislative act unconstitutional. In 1963, the court handed down a landmark decision outlawing the Communist party.

The Venezuelan Constitution contains safeguards relating to individual and collective duties, rights, and guarantees of all the people.

Venezuela is a member of the following organizations: (1) United Nations, (2) Organization of American States, (3) Alliance for Progress, (4) International Bank for Reconstruction and Development, (5) International Monetary Fund, (6) International Finance Corporation, (7) Inter-American Development Bank, (8) Organization of Petroleum Exporting Countries, (9) International Labor Organization, and (10) International Civil Aviation Organization.

Area and population

Venezuela is the seventh largest country in Latin America, with an area of 352,000 square miles, having a coastline of 1,750 miles on the Caribbean Sea and Atlantic Ocean and is bounded on the west by Colombia, on the south by Brazil, and on the east by British Guiana.

Venezuela's population at the end of 1964 was 8,573,000. The population has increased at an estimated average annual rate of 3.9 percent during the years 1950 through 1964. In spite of this rate of population increase, the average population density is only about 24 persons per square mile. Population distribution has been significantly influenced by climate, geography, and economic development. About 88 percent of the population is concentrated in the Andes Highlands, the northern coastal mountain range and the Maracaibo Basin, which comprise about 19 percent of the land area of the country.

Urban population has increased at a greater rate than the population as a whole. The population of metropolitan Caracas, according to the 1961 census, was 1,336,119 and was estimated to be 1,632,000 at the end of 1964. The next three largest cities and their estimated populations at the end of 1964 are: Maracaibo, 516,000; Barquisimeto, 232,000; and Valencia, 187,000.

Venezuela's economy

Since the end of World War II, Venezuela has had one of the world's fastest growing economies. During the years 1950 through 1964, gross national product, expressed in constant prices, increased 134 percent an average annual increase of 6.7 percent. During the same period, population increased 65 percent, an average annual increase of 3.9 percent. In spite of this growth in population, average per capita gross domestic product increased 42 percent, an average annual increase of 2.8 percent. During the years 1954 through 1963, the manufacturing index increased at an average annual rate of 17.4 percent. Transportation facilities have been greatly improved, particularly the highway network.

Industry in Venezuela is predominantly privately owned and operated.

During the period of Venezuela's political transition in the late 1950's and the end of the petroleum boom following the settlement of the Suez crisis, there was a general contraction of business activity in Venezuela, which was accompanied by substantial capital outflows, budget deficits, and loss of foreign exchange reserves. Various measures were taken to check the loss of reserves and restore balance of payments and fiscal equilibrium; business activity started to increase in 1962, further increasing in 1963 and 1964. In terms of constant prices, preliminary estimates for 1964 indicate increases over 1963 of 7 percent in gross national product, 4.5 percent in petroleum production, 17 percent in manufacturing, 7 percent in agricultural production, and 15 percent in construction.

Venezuela has the highest per capita gross national product in Latin America, a rapidly growing economy and an expanding middle class. During the years 1950 through 1964, gross national product at constant prices increased at an average annual rate of 6.7 percent, compared to corresponding population increases of 3.9 percent, which resulted in substantial improvement in the standard of living. In recent years, the growth of the manufacturing sector has been faster than that of the petroleum industry, reflecting the Government's policy of encour-

aging diversification of the economy. This growth has been accompanied by relatively stable price levels. Budget surpluses have been recorded in each of the last 3 years.

While encouraging agrarian reform, the Venezuelan Government has started an ambitious and vast industrialization plan designed to transform an oil economy into a modern diversified economy. To meet the challenge of the explosive population increase, 400,000 new jobs must be created in the next 4 years, most of them to provide a living for the 80,000 workers that annually join the labor market. Following a traditional pattern, leading American corporations doing business in Venezuela cooperate with Venezuela's private and official institutions in creating employment. One of the paradoxes of Venezuela's economy is that the petroleum industry, which produces over 70 percent of the Government's income and contributes approximately one-fifth of the gross national product, employs about 37,000 workers or 1.3 percent of the working population because of the advanced technology in this field. Although petroleum will continue to be a principal part of the country's economy in the future, continuing efforts are being made to see that the agricultural and industrial sectors develop their own capacity to contribute to the diversification of the economy. This obviously will have a multiple effect on the entire Venezuelan economy. Meanwhile, the high purchasing power of the currency and the lack of restrictions against the importation of capital have caused a concentration of capital in nonproductive activities, which aggravates the employment problem. Because of this, the creation of new sources of work—for example, development of the sugar industry—is, and will continue to be, a central objective.

Venezuela's petroleum industry

For the past 40 years the petroleum industry has been the cornerstone of Venezuela's economy. This industry has not only provided the principal source of Government revenues and foreign exchange receipts but has also stimulated, both directly and indirectly, extensive economic, industrial and social changes. The growth of manufacturing industries and of an expanding middle class is due, to a considerable extent, to the continuing stimulus provided to Venezuela's economy by the petroleum industry. In 1963, the petroleum industry accounted for about 29.9 percent of gross national product, 52.6 percent of Government revenues and 93.3 percent of exports. In 1963, the industry accounted for 1.3 percent of the employed labor force, but contributed about 9 percent of total wages and salaries.

Venezuela is the third largest petroleum producer in the world, accounting for 12.1 percent of total world output in 1964, outranked only by the United States and the Soviet Union, which accounted, respectively, for 29.0 percent and 15.5 percent of total 1964 world production. Venezuela has been the world's largest petroleum exporting country during the last three decades, accounting for 26.7 percent of total world net exports of crude oil and refined products in 1964.

Three major petroliferous basins are in production in Venezuela: the Maracaibo Basin, the largest oil field in the Western Hemisphere; the eastern basin in the northeastern part of Venezuela; and the Apure-Barinas Basin, southeast of Lake Maracaibo, which entered production in 1948. During the years 1953 through 1963, proved petroleum reserves have fluctuated between a high of 17.7 years of production in 1958 and a low of 14.4 years in 1962 and 1963. At the end of 1963, proved reserves in existing fields amounted to 17 billion barrels, but additional recoverable reserves in these fields have been estimated to be at least equal to this amount. In addition, there exist other potential areas, such as the area of very heavy crude deposits north of the Orinoco River and those in the Gulf of Venezuela and in the southern part of Lake Maracaibo.

Venezuela's petroleum industry is composed of 50 companies, the majority representing American capital; 16 companies operate producing concessions, and the balance have individual or joint interests in nonproducing concessions or concessions operated by others. The major companies operating producing concessions together with their respective percentages of total 1964 crude production are as follows: Creole Petroleum Corp., a subsidiary of Standard Oil Co. (New Jersey), 39 percent; Cia. Shell de Venezuela, Ltd., a subsidiary of the Royal Dutch-Shell Group, 28 percent; and Mene Grande Oil Co., a subsidiary of the Gulf Oil Corp., 12 percent. In addition, subsidiaries of each of the following oil companies accounted for 2 percent or more of total petroleum production; Sun Oil Co.; Socony Mobil Oil Co., Inc.; Texaco, Inc.; Phillips Petroleum Co.; and Standard Oil Co. of California.

Petroleum production and export statistics

[In thousands of barrels]

Year	Crude petroleum production	Percentage change over preceding year	Crude runs to still	Exports ¹			Domestic demand ²
				Crude oil	Refined products	Total	
1953-----	644,223	-2.4	150,693	488,862	117,618	606,480	27,256
1954-----	691,788	+7.4	161,853	528,634	126,250	654,884	32,825
1955-----	787,384	+13.8	195,866	590,816	147,812	738,628	38,812
1956-----	899,183	+14.2	288,259	675,270	170,951	846,221	45,169
1957-----	1,014,424	+12.8	251,322	758,775	181,536	940,311	51,721
1958-----	950,767	-6.3	267,105	687,725	201,855	889,580	47,879
1959-----	1,011,419	+6.4	300,776	719,835	221,033	940,868	49,047
1960-----	1,041,675	+3.0	322,915	730,962	251,747	982,709	46,683
1961-----	1,065,757	+2.3	338,729	743,711	265,300	1,009,011	46,467
1962-----	1,167,916	+9.6	374,288	810,485	291,274	1,101,759	48,834
1963-----	1,185,511	+1.5	380,306	818,325	303,537	1,121,862	49,175
1964-----	1,241,782	+4.7	399,660	860,063	315,422	1,175,485	53,211

¹ Direct exports.² Domestic demand for refined products, including bunker fuel.

The rate of increase in Venezuela's crude oil production has reflected changes in demand in world markets and competition from other export centers. During the years 1955 through 1957, Venezuelan oil output increased at exceptionally high annual rates due to the surge in world demand for Venezuelan petroleum, created in part by the Suez crisis. Although production decreased in 1958, it has increased at an average annual rate of 4.6 percent since 1958. Annual production increases, however, have fluctuated widely from year to year.

PETROLEUM MARKETS

Venezuela's share of world oil exports has declined in recent years as production in the Middle East has increased and exports have come into the market from new areas, principally the Soviet Union and north Africa. In spite of a 77-percent increase in Venezuelan oil exports from 1953 through 1963, Venezuela's share of total net world oil exports decreased from 46.9 to 26.3 percent, while the Middle East's share increased from 44.7 to 54.1 percent. The Soviet Union and north Africa, which had virtually no oil exports in 1953, accounted for 6.1 and 8 percent, respectively, of total world net exports in 1963. Venezuelan oil is generally at a competitive cost disadvantage as compared to Middle Eastern and north African oil because taxes, wages and other costs are higher in Venezuela. On the other hand, since Venezuelan crude oils are characterized by high gravity as compared with the lower gravity of the Middle Eastern and north African crudes, a factor favorable to Venezuela is the growing demand in the United States and Europe for imported heavy crude and fuel oils. Another favorable factor is the desire of the international producers to maintain diversified sources of supply. The Government has sought to discourage exports which are not consistent with its policy of maintaining adequate price levels for Venezuelan oil in world markets.

The principal markets for Venezuelan petroleum exports are shown in the following table:

Exports and destination of crude oil and refined products¹

	1953		1955		1957		1959		1961		1963		Percent- age change, 1953-63
	Thousand barrels	Percent- age	Thousand barrels	Percent- age	Thousand barrels	Percent- age	Thousand barrels	Percent- age	Thousand barrels	Percent- age	Thousand barrels	Percent- age	
United States.....	238,802	38.7	299,157	40.0	391,172	42.2	403,836	44.1	420,243	43.0	449,606	41.3	+88
Canada.....	36,658	10.3	82,578	11.0	97,876	10.6	97,804	10.7	101,221	10.4	111,316	10.2	+75
European Economic Community.....	37,853	6.1	62,844	8.4	81,066	8.7	58,681	6.4	86,336	8.8	123,566	11.3	+226
Other European countries.....	66,572	10.8	94,524	12.6	129,357	14.0	116,814	12.7	144,417	14.8	172,717	15.9	+159
Central America.....	45,344	7.4	55,521	7.4	85,752	9.2	108,158	11.8	60,805	6.2	95,109	8.7	+110
South America.....	90,362	14.7	97,261	13.0	103,034	11.1	102,874	11.2	122,208	12.5	97,805	9.0	+8
Others.....	74,281	12.0	55,809	7.6	39,307	4.2	28,610	3.1	41,475	4.3	39,631	3.6	-47
Total.....	616,872	100.0	747,694	100.0	927,504	100.0	916,777	100.0	976,705	100.0	1,089,750	100.0	77

¹ Includes exports from Aruba and Curacao and eliminates exports from Venezuela to Aruba and Curacao. Substantially all crude oil refined in those islands is imported from Venezuela.

As shown in the table, the United States, particularly the eastern seaboard, is the principal export market for Venezuelan crude oil and refined products accounting for 41 percent of Venezuelan exports in 1963. Exports of Venezuelan petroleum to the United States have been affected by the introduction of mandatory controls on oil imports by the United States in March 1959. Even though Venezuela's exports to the United States increased by 88 percent from 1953 through 1963, Venezuela's share of the total U.S. imports declined from 63 percent in 1953 to 57 percent in 1963. Crude oil represented 41 percent and fuel oil 48 percent of total Venezuelan oil exports to the United States in 1963. Venezuelan exports to Europe increased by 184 percent from 1953 through 1963 and the European countries took 27 percent of total Venezuelan exports in 1963 as compared with 17 percent in 1953. However, Venezuela's share of the European Economic Community imports declined from 12 to 10 percent in that period as competition increased from Middle Eastern, north African, and Soviet crudes. Crude oil represented 51 percent and fuel oil 16 percent of total Venezuelan oil exports to Europe in 1963. Canada's share of Venezuelan petroleum exports remained relatively constant at approximately 10.5 percent during the years 1953 through 1963. The decline in the percentage of total Venezuelan exports taken by the South American market has been due in large part to the increasing self-sufficiency in petroleum of Argentina and to purchases by Brazil and Uruguay from other exporting countries.

Refining

Refining capacity in Venezuela increased from 444,970 barrels per stream day in 1953, to 883,000 barrels in 1958, and to 1,127,400 barrels in 1963. Of the 381 million barrels of products refined in 1963, 56 percent was accounted for by fuel oil, 21 percent by diesel and gas oil, 13 percent by gasoline and naphtha and the balance by kerosene, asphalt, lubricants and other products. In 1963, approximately 32 percent of Venezuela's crude oil production was refined in the country. Most of the refined products were exported because the Venezuelan market consumed only 13 percent of production. At the end of 1963, there were 2,178 miles of trunk pipelines and 1,675 miles of secondary pipelines which were used principally to transport crude oil and refined products to export terminals on the coast.

Investment

In 1963, the oil industry's net accumulated investment in fixed assets in Venezuela amounted to Bs7,922 million compared with a high of Bs10,375 million in 1959, and Bs5,460 million in 1953. As a result of the grant of oil concessions in 1956 and 1957, and of the increase in demand for Venezuelan petroleum during the Suez crisis, there was an unusual increase in new investment in the years 1956 through 1959, which was followed by a sharp decline in the years 1959 through 1962. New investment increased by an estimated 6 percent in 1963, and an estimated 25 percent in 1964. Programs for 1965 presented by the industry to the Government indicate a further increase in new investment over the 1964 level of investment. A summary of the investment of the industry is shown in the following table:

Venezuelan petroleum industry—Current and accumulated investment in fixed assets

[Millions of bolivars]

	1953	1954	1955	1956	1957	1958	1959	1960	1961 ¹	1962 ¹	1963 ¹
Gross accumulated investment . . .	9, 873	10, 212	10, 937	13, 038	15, 828	17, 218	18, 803	18, 987	19, 155	19, 253	19, 183
Net accumulated investment	5, 460	5, 534	5, 649	7, 023	9, 002	9, 652	10, 375	9, 771	9, 140	8, 505	7, 922
New investment ²	901	933	928	1, 160	1, 822	1, 788	1, 262	730	516	474	503
Depreciation and amortization . . .	558	613	680	732	812	836	939	948	929	911	872

¹ Excluding revaluation of fixed assets.

² Data for 1956 and 1957 does not include payments for new concessions, which amounted to Bs1,046,000,000 in 1956 and Bs1,042,000,000 in 1957.

Exploration activity has declined sharply since 1958. The number of crew-months spent in geological and geophysical activities decreased from 409 in 1958, to 38 in 1963, and to a low of 24 in 1964. At the end of 1964, a group of nine major oil companies undertook an extensive seismic survey of an area of 1,260,200

acres in the southern part of Lake Maracaibo and in the Gulf of Venezuela, which was the largest area covered by geophysical studies in Venezuela since 1959. The number of new exploratory wells completed also decreased from 168 in 1958 to a low of 54 in 1963. In 1964, however, the number of exploratory wells increased to 61. In recent years additional emphasis has been placed on investments in secondary recovery projects which have resulted in increases in proved reserves and the storage of natural gas through reinjection. An estimated 2.2 billion barrels were added to proved reserves through secondary recovery projects in the decade ending in 1963. In 1964, over 420 million barrels were added to reserves by both gas and water injection methods. At present there are two major secondary recovery plants under construction at a total cost of Bs 130 million.

Concessions

In accordance with the Hydrocarbons Law of 1943, concessions presently covering 7,443,540 acres were granted or renewed for a period of 40 years expiring in 1983 and 1984. New concessions granted in 1956 and 1957, which presently cover 571,007 acres, will expire in 1996 and 1997. In 1960, the Government announced that no further oil concessions would be granted to private companies. In 1962, the Government proposed a new system of service contracts under which foreign companies would engage in development activities for the Venezuela Petroleum Corp., an autonomous Government institution. Several companies have expressed interest in considering possible new arrangements with the Government with respect to new areas.

Financial summary

There is set forth below a financial summary, including taxes payable to the Government and return on invested capital, for the petroleum industry for the years 1953 through 1963:

Financial summary of the petroleum industry—1953-63

[Millions of bolivars]

	1953	1954	1955	1956	1957	1958 ¹	1959	1960	1961	1962	1963
Total income.....	4,892	5,337	5,875	6,829	8,463	7,662	7,289	7,287	7,477	7,915	7,902
Net profit after taxes.....	1,261	1,412	1,710	2,115	2,774	1,616	1,335	1,282	1,477	1,693	1,677
As a percentage of total income..	25.8	26.5	29.1	31.0	32.8	21.1	18.3	17.6	19.8	21.4	21.2
Percent return on invested capital	18.9	20.5	24.8	29.0	31.9	16.8	13.1	12.1	214.5	217.8	219.2
Taxes:											
Income taxes.....	507	585	712	931	1,199	1,465	1,260	1,070	1,216	1,462	1,546
Royalties.....	786	874	1,003	1,188	1,550	1,415	1,444	1,503	1,553	1,703	1,731
Other.....	209	117	126	162	241	186	156	138	130	143	142
Total.....	1,502	1,576	1,841	2,281	2,990	3,066	2,860	2,711	2,899	3,308	3,419
Taxes as a percentage of net profits before taxes.....	54	53	52	52	52	65	68	68	66	66	67

¹ In 1958, the maximum income tax rate was increased from 28.5 to 47.5 percent.

² Excluding revaluation of fixed assets.

The Government's share of profits from the industry increased sharply commencing in 1958 as income tax rates were increased in that year. The Government's share of profits before taxes averaged 52.6 percent during the years 1953 through 1957, and 66.7 percent during the years 1958 through 1963. In 1963, the oil industry had a 19.2-percent rate of return on invested capital. Government revenues from the oil industry are derived principally from the following taxes: (a) An income tax levied on profits at a progressive rate, the maximum rate being 47.5 percent on profits exceeding Bs28 million; (b) a royalty based upon a percent of production (generally 16½ percent) or the value thereof based on a formula related to Texas posted prices; (c) import duties; and (d) surface taxes and other miscellaneous Federal and local taxes. Texas posted prices in recent years have been substantially higher than prices actually realized by the oil companies. As a result of the change in exchange rates in January 1964, the exchange profits realized by the Government in connection with exchange transactions with the oil companies have been virtually

eliminated. On the other hand, since taxable income will be reported and royalties paid on the basis of the new exchange rate, the increase in Government receipts from these sources are expected to more than offset the loss of revenues from foreign exchange transactions.

Venezuelan Petroleum Corporation

In April 1960, the Government established the Venezuelan Petroleum Corp. (Corporación Venezolana del Petróleo—"CVP") as an autonomous institution to engage in all aspects of production, refining, and distribution. CVP has petroleum areas assigned to it which presently amount to 672,033 acres. By the end of 1964, CVP had 15 producing oil wells. CVP produced 2.3 million barrels of crude oil in 1964, and had net investments of Bs157.5 million at the end of the year. In December 1964, the Government announced plans for CVP, which presently serves approximately 3 percent of the Venezuelan gasoline retail market, to obtain one-third of the Venezuelan retail market for all refined petroleum products by the end of 1968. A program for the allocation of new outlets was announced as well as plans to transfer to CVP certain existing outlets presently distributing products of the private oil companies.

Venezuelan iron ore exports

[Metric tons]

Country	1963	1964	Total increase	1964 distribution, percent
United States ¹	9,328,399	10,138,310	809,911	68.07
Germany.....	1,044,117	2,149,468	1,105,351	14.43
Britain.....	1,383,746	1,685,785	302,039	11.32
Italy.....	597,439	885,294	287,855	5.95
Holland.....	0	34,542	34,542	.23
Total.....	12,353,701	14,893,399	2,539,698	100.00

¹ Venezuela supplies 68.07 percent of its iron ore to the United States.

NOTE.—Venezuelan iron ore exports totaled 14,893,399 metric tons in 1964, compared with 12,353,701 metric tons exported in 1963.

Venezuela's foreign trade

Foreign trade plays a vital role in the Venezuelan economy. For the 5 years ending December 31, 1963, exports and imports accounted for about 31 and 16 percent respectively, of gross national product. Since 1926, Venezuela has had a surplus of exports over imports. During the years 1959 through 1963, exports averaged 186 percent of imports. While exports of \$2,533 million in 1963 were slightly above the 1958 level of exports, imports (c.i.f.) decreased by 33.2 percent to \$1,122.3 million in 1963.

Petroleum and petroleum derivatives accounted for an annual average of 92.4 percent of total exports during the years 1959 through 1963. The composition of imports has been changing, reflecting the growing self-sufficiency and diversification of the economy. The proportion of consumer goods to total imports has been decreasing while that of capital goods and raw materials has been increasing.

The following table indicates the total value of commodity exports and imports for the years 1959 to 1964:

Balance of trade

[Dollar amounts in millions]

	Exports (free on board)	Imports (cost, insurance, and freight)	Balance-of-trade surplus	Exports as percent of imports
1959.....	\$2,326.3	\$1,689.9	\$636.4	137.7
1960.....	2,392.7	1,273.6	1,119.1	187.9
1961.....	2,452.0	1,229.6	1,222.4	199.4
1962.....	2,533.1	1,265.6	1,267.5	200.2
1963.....	2,533.0	1,122.3	1,410.7	225.7
1964 (9 months) ¹	1,837.2	826.7	1,010.5	222.2

¹ Preliminary.

The following table shows the volume and prices of exports and imports, and Venezuela's terms of trade (i.e., the relationship of the prices of exported articles to the prices of imported articles), for the years indicated:

Terms of trade, 1948=100

	Exports		Imports		Terms of trade
	Volume	Price	Volume	Price	
					<i>Percent</i>
1959-----	211.9	\$102.9	148.5	\$137.3	75.0
1960-----	222.3	103.5	114.4	134.1	77.2
1961-----	224.2	99.1	105.8	143.8	68.9
1962-----	242.6	96.4	105.0	159.2	60.6
1963-----	246.0	96.1	101.4	155.7	61.7

Geographic distribution of foreign trade

[Percent]

	1959		1961		1963	
	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from
United States-----	49.5	53.2	46.5	54.9	39.9	54.6
Canada-----	4.4	3.3	4.9	4.2	10.1	5.0
Other Western Hemisphere countries:						
Latin American Free Trade Association countries-----	9.7	1.4	8.6	1.6	5.1	2.9
Other-----	9.6	.2	7.9	.7	10.3	.6
Europe:						
European Economic Community-----	6.3	23.4	8.2	21.5	11.7	19.2
Other-----	11.9	13.1	13.2	13.1	14.8	13.2
All others-----	8.6	5.4	10.7	4.0	8.1	4.5
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

The above table shows that while the export percentage to the United States declined considerably, the percentage of imports has remained constant and, in fact, has increased slightly.

Some of the U.S. exportable items to Venezuela over the years are as follows: live animals; meat; milk and cream; eggs; wheat, unmilled wheat and unmilled corn; cereals; fruits; vegetables; sugar preparations; fodder; oilseeds; rubber; paper; pulp and waste paper; cotton; mineral fuels and lubricants; animal and vegetable oils and fats; chemicals; paper; textiles; mineral manufactures; glassware; iron and steel products; copper; aluminum; power-generating machinery; agricultural machinery; tools and implements; industrial machinery and equipment; aircraft; furniture; clothing; scientific, medical, optical measuring and controlling instruments and apparatus; photographic supplies; musical instruments; perambulators, toys, games and sporting goods; office and stationery supplies. (A table entitled "U.S. Exports to Venezuela, by Commodity Sections and Principal Commodity Groups, 1959-64" is attached. The source of the material is the U.S. Department of Commerce.)

Venezuela's balance of payments

Prior to 1958, Venezuela generally had a favorable balance of payments and it accumulated large foreign exchange reserves. During the years 1958, 1959, and 1960, however, there were substantial balance-of-payments deficits. The end of the petroleum boom after the settlement of the Suez crisis, together with political uncertainties and budgetary difficulties inherited from the Perez Jimenez regime, led to a loss of confidence and a reduction in Government investment expenditures which resulted in a general contraction of business activity, substantial capital outflow, and loss of foreign exchange reserves. The situation was aggravated by the existence of a large amount of short- and medium-term obligations that had been incurred by the dictatorship, and which the new democratic government was determined to pay as soon as possible. Various measures were

taken to check the loss of foreign exchange reserves and to restore balance-of-payments and budgetary equilibrium. Import quotas and higher duties on certain goods were established in 1959, and exchange controls were imposed in 1960. As a result of these measures and the increasing self-sufficiency in foodstuffs and manufactured products, imports dropped by 33 percent from 1958 to 1963. The overall balance-of-payments deficit was sharply reduced in 1961 and 1962, and surpluses of \$156 million and \$96 million were achieved in 1963 and 1964, respectively. The public debt was greatly reduced and foreign exchange reserves of the Central Bank, which had dropped to \$571 million at the end of 1961, increased to \$825 million at the end of 1964.

Education and public health

Significant advances have been made in the field of education. From 1957 through 1964, total student enrollment increased from about 845,000 to about 1,702,000, the number of schools from 7,142 to 14,504, and the number of teachers from 27,757 to 59,419. Education in public schools is free and approximately 77 percent of the children of school age are enrolled. The National Institute for Educational Cooperation, which provides technical education to adults and adolescents, has trained about 95,000 workers since 1961. Illiteracy of the population over 14 years of age decreased from an estimated 40 percent in 1957 to 20 percent in 1964. Expenditures for education represented 12.1 percent of Government expenditures in 1964. There are 7 universities in Venezuela, of which 5 are public and 2 are private, with a total enrollment of 35,100 students.

Public health conditions have improved markedly in recent years as a result of large expenditures for medical facilities and sanitation. During the period 1951 through 1964, average life expectancy increased from 58.8 to 66.4 years and infant mortality decreased from 78.7 to 48.2 per 1,000 births. Mortality among children from 1 to 5 years decreased from 13 per 1,000 in 1951 to 5 in 1964. During the period 1961 through 1964, the number of hospitals increased from 271 to 326 and hospital beds increased from 22,406 to 28,484.

Agriculture and forestry

In 1964, agriculture, livestock, fishing, and forestry accounted for 7 percent of the gross national product and 33 percent of the employed labor force. Agricultural and livestock production represented 94 percent of the total production in that year of Bs2,085 million at constant 1957 prices. Of the total agricultural and livestock production, crops accounted for 60 percent, cattle and other livestock 22 percent, milk 14 percent, and eggs 4 percent. The principal agricultural crops are sugar, coffee, bananas, corn, rice, cocoa, yuca, potatoes, fruits, and vegetables; cattle is the principal livestock. While the country is practically self-sufficient in sugar, corn, rice, beans, fish, bananas, eggs, and coffee, it imports powdered milk, wheat, and certain kinds of fruit. In 1964, food and beverage imports represented about 7.2 percent of the total value of all imports and 9.1 percent of total food consumption. Coffee and cocoa are the principal export crops.

The value of agriculture, fishing and forestry (at constant prices) increased at an annual rate of 5.7 percent during the years 1950 through 1964, compared with an annual rate of population increase of 3.9 percent during that period. While production of export crops declined during that period, there was a substantial increase in food and industrial crop production for domestic consumption and in the production of sugarcane, dairy products, and livestock. Government programs to stimulate agricultural production have included irrigation projects, cash subsidies, liberal credits, Government purchases, support prices, and protection through tariffs and quota restrictions on imports. New highways have opened up rural areas and connected them with urban centers of consumption.

According to the 1961 agricultural census, approximately 2 percent of the nation's total land area is under crop cultivation, 3 percent under cultivated pasture, and 13 percent under unimproved pasture. The pattern of landownership is characterized by a number of extensive estates engaged principally in livestock raising and a large number of small, family-operated farms engaged principally in crop production. It was estimated that in 1956 about two-thirds of all

farms consisted of less than 12½ acres and were operated at close to the subsistence level. As a result of irrigation projects undertaken by the Government, land under irrigation increased from approximately 31,875 acres in 1957 to 65,227 acres in 1960, and to 124,490 acres in 1964. Projects now under construction are expected to bring under irrigation an additional 395,854 acres by 1968.

An agrarian reform law adopted in March 1960 contains regulations limiting land tenure and provides for the distribution of public and private lands to qualified farmers, and for farm credit and improved marketing facilities. The land subject to expropriation is generally limited to uncultivated land, farms worked indirectly through renters and sharecroppers, and unimproved pastureland suitable for cultivation. Privately owned land cannot be expropriated if public land is available in the same area, and the law provides that farms of a size below certain specified limits cannot be expropriated. Land expropriated is to be paid for in cash and government bonds. Land is either sold or awarded gratuitously to new owners. From the commencement of the land reform program in 1959, until December 31, 1964, about 305,238 acres of land have been expropriated and paid for and 4,636,700 acres have been distributed to 77,528 families. The Government owns over 2½ million acres of land suitable for distribution to farmers.

Labor

The estimated working population of Venezuela at the end of 1963 was 2,715,000. Of the total employed labor force of 2,392,000 in that year, 35 percent was employed in primary industries as compared to 48 percent in 1950, 21 percent in manufacturing and other secondary industries as compared to 19 percent in 1950, and 44 percent in trade, service, and other industries as compared to 33 percent in 1950.

The agricultural and industrial unions had 1,570,000 members at the end of 1963, accounting for 66 percent of the employed labor force. Most of the unions are affiliated with the Workers Confederation of Venezuela.

President Leoni, recently describing the Venezuelan labor movement, said: "My close connection with the Venezuelan labor movement dates from those years, and in the intervening three decades of continuous and unflagging struggle the movement has succeeded in creating the powerful Confederation of Venezuelan Workers (CTV), with nearly 4,000 unions representing over 1,500,000 rural and urban workers. The CTV has always been a bulwark of constitutional government in Venezuela, in part at least because the 3-year democratic regime of 1945-48 and the regimes since 1959 have considered the material and cultural well-being of the working masses a central objective and the basic reason for the democratic revolution which our country is at present undergoing."

The first Venezuelan legislation dealing specifically with employer-employee relations, the law of workshops and public establishments, was promulgated in 1917. This established the workday as 8½ hours, but permitted lengthening by mutual consent of employer and employee. It also established paid remuneration for holidays, prohibited the employer from retaining the worker's salary, and determined safety and sanitary standards for places of work.

The labor law of 1928 superseded the workshops and public establishments law and was a result of the initiation of petroleum exploitation and the creation of the National Labor Organization. Among the more advanced aspects of this law were the determination of the workday as 9 hours and nullification of all contracts to the contrary, the obligation of the employer to indemnify workers for injuries resulting from accidents or occupational diseases, and the establishment of special standards for the employment of women and children.

The labor law of 1936 was inspired by the Mexican Federal labor law, the Chilean Labor Code, and the recommendations of the International Labor Organization. The basic provisions of this law are still in force, although revisions were made in 1945 and 1947. This law establishes paid annual vacations; length of service benefits; regulation of domestic employment; profit sharing; the right of collective bargaining; the right to strike; 8-hour day, 48-hour week; social security benefits.

The revision of the 1945 law separated agricultural labor from the provisions of the 1936 law and made such labor subject to a special regulation for agriculture and animal husbandry. It also incorporated standards governing labor unions and improved control over intermediaries.

The 1947 revision of the 1936 labor law provides many important social advances including the following: severance pay; equality between workers and salaried employees with regard to paid vacations; pay for a day of rest per week; pro rata payment for vacations earned; extension of length-of-service benefits to include death payments.

Social security law

A separate compulsory social security law provides for payments to employees in the case of illness, maternity, occupational diseases, and accidents. The cost of these payments is shared jointly by the Government, the employers, and the employees in the case of illness and maternity payments and by the Government and the employers alone in the case of payments for occupational diseases and accidents. The Government is expanding the geographical and functional coverage of the social security program and it is estimated that as of December 31, 1963, there were 326,043 employees and 616,140 relatives and dependents eligible to receive such payments.

Venezuela's debt record

During the past 20 years, the Republic of Venezuela has paid when due the full currency amount of principal, interest, and amortization requirements upon its direct and guaranteed indebtedness money borrowed.

During the period from 1952 through January 1958, the Perez Jimenez government and the autonomous institutions entered into numerous contracts for the construction of public works and the purchase of goods and services which provided for payment over a period of several years. In certain cases promissory notes or other instruments were issued by the Government or the autonomous institutions to evidence the payments due under such contracts. It was customary for the contractor or supplier to assign or discount the payments due or notes issued under those contracts with financial institutions in Venezuela and abroad. Since no adequate records were kept by the Perez Jimenez regime, it has not been possible to determine the exact amounts involved and the extent of the delays in payment which occurred during the years prior to 1958. Nevertheless, it was estimated by the Controller General of Venezuela in his report to the Congress for the year 1960 that the total amount of the obligations of the Central Government and the autonomous institutions under those contracts aggregated Bs2,871 million as of February 1, 1958. A substantial amount of these obligations were payable in foreign currencies.

After the overthrow of the Perez Jimenez regime in January 1958, the new Government conducted extensive investigations of these contracts in order to determine whether or not irregularities had occurred in connection with the amounts charged or the work done or the goods and services supplied thereunder. Substantial delays occurred in the payment of the obligations due under the contracts as it was necessary to review carefully each contract. The provisional government of May 15, 1958, directed that claims be paid only in those cases where no irregularities were found or where the balance due exceeded the amounts objected to by the Government because of such irregularities or where the contractor had agreed to correct the irregularities by reducing the stipulated contract price. On May 29, 1959, Congress ratified the action taken by the provisional government and specified additional procedures for the review by the Controller General of contracts under which claims were then pending. Pursuant to this congressional action and a resolution of the Council of Ministers of October 2, 1959, (a) payment was ordered on balances owing to third-party assignees after withholding amounts objected to, (b) payment was ordered on balances owing to the original contractors after withholding 125 percent of the amounts objected to, and (c) payment was ordered suspended on balances owing to persons notoriously linked with the dictatorship. An interministerial committee was appointed at the same time to study, together with representatives of the Congress, special cases relating to claims assigned to third parties on which payment in full could not be made because the amounts

objected to exceeded the balances remaining unpaid under the contract. A special committee appointed in 1962, consisting of representatives of the Congress, the Ministry of Finance, the Office of the Controller General and the Office of the Attorney General, has continued the examination of these third-party claims. During the period May 15, 1958, to December 31, 1964, the Controller General reviewed 598 contracts, including 284 contracts on which no irregularities were found, 145 contracts on which objections were made but on which all balances had been paid and no amounts could therefore be withheld, and 169 contracts on which objections were made and amounts withheld.

In accordance with the foregoing procedures, payments aggregating Bs2,777,707,218 were made through December 31, 1964.

The remaining unpaid balance of Bs93,631,347 as of December 31, 1964, represents the amount withheld because of objections made by the Government upon which no settlement has been reached.

The public debt of Venezuela is relatively one of the lowest in the world. Internal and external direct and guaranteed debt of the Central Government was equivalent to \$386 million at the end of 1964.

Government finance

Responsibility for preparation of the budget and administration of Government finances rests with the Minister of Finance. The President is required to submit the proposed budget for the Central Government for the following year to Congress by the second of October, except during election years, when it must be submitted by the first of July. Congress may change items in the proposed budget, but may not authorize expenditures in excess of projected revenues. The budget must include every year an appropriation at least equal to a specified percentage of total estimated ordinary revenues for distribution among the states, the federal district and the federal territories in accordance with a prescribed formula, such minimum percentages to be 14½ percent in 1965 and 15 percent in 1966 and thereafter. No taxes may be levied, money borrowed, or expenditures made unless authorized by law. Expenditures may be increased or budget items reallocated during the course of the fiscal year by the Government, with congressional approval, provided total authorized expenditures at no time exceed projected revenues.

All receipts of public revenues under the budget are credited as general funds of the Central Government to the General Treasury and all expenditures are made from such funds out of appropriations included in the budget approved by Congress. The collection of public revenues is the responsibility of the Ministry of Finance. Responsibility for the execution of the budget is assigned to the various Ministries and to the Controller General of the Republic. Expenditures are made by the respective Ministries authorized to do so by the budget.

The Controller General is charged with the control, supervision, and auditing of the national revenues, expenditures and assets, and the operations connected therewith. He is responsible to and elected by the Congress and is required to submit to Congress annually a report concerning the accounts submitted to Congress by agencies and officials required to do so.

U.S. exports to Venezuela, by commodity sections and principal commodity groups, 1959-64

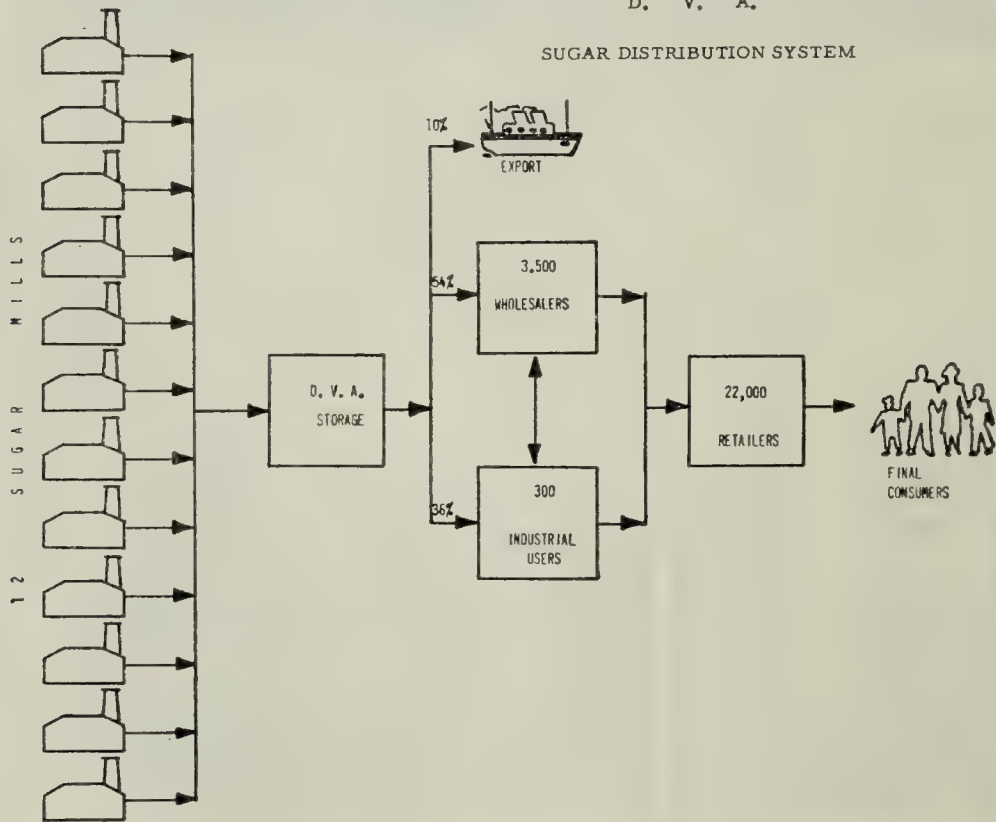
Nomenclature and description	1959	1960	1961	1962	1963	1964
Exports, including reexports, total	\$738,851,000	\$551,218,000	\$515,662,000	\$470,613,000	\$507,091,000	\$596,949,338
Reexports	2,219,000	2,803,000	2,353	4,818,000	2,777,000	2,553,986
Domestic exports, total	736,631,955	548,414,828	513,308,888	465,797,057	504,314,000	599,503,354
Sec. 0: Food and live animals	85,492,692	86,167,144	78,437,486	56,349,393	55,385,000	66,755,235
Live animals, not elsewhere classified	2,357,191	2,112,268	1,082,128	1,142,273	2,935,000	2,126,711
Milk and cream	12,277,866	12,156,502	8,284,192	4,249,261	4,249,000	3,730,426
Eggs	5,708,132	7,955,246	6,366,387	3,807,572	3,527,000	2,547,513
Wheat, unmilled	13,268,455	15,201,036	19,090,930	11,900,330	13,469,000	19,599,212
Wheat flour	2,072,453	376,915	140,696	303,149	389,319	438,501
Cereal, prepared	11,360,957	11,895,093	11,494,421	8,804,919	6,411,000	6,597,765
Fruit, fresh, and nuts	5,323,511	5,691,917	4,008,401	4,050,887	4,167,000	5,027,592
Fruit, preserved, and fruit preparation	6,142,987	4,900,548	4,461,935	2,934,986	2,687,000	2,269,612
Vegetables, fresh, frozen, or preserved	4,234,657	3,493,752	4,880,985	4,440,664	5,607,000	5,101,139
Vegetables, preserved or prepared	2,434,799	2,066,160	1,624,551	1,158,935	1,216,855	1,080,364
Sugar, confectionery and other sugar preparations	2,836,650	3,991,634	3,244,324	3,156,928	2,366,000	1,848,277
Sec. 1: Beverages and tobacco	11,190,463	3,737,974	1,846,037	1,339,479	223,000	269,926
Tobacco, unmanufactured	332,230	1,486,176	682,522	760,722	142,000	171,306
Tobacco, manufactured	10,714,900	2,205,303	1,079,478	549,001		37,452
Sec. 2: Crude materials, inedible, except fuels	10,752,366	10,522,996	16,735,304	16,363,611	17,733,000	21,887,064
Oilseeds, oil nuts, and oil kernels	696,655	744,271	1,489,167	1,600,179	1,481,000	3,286,505
Rubber, crude, including synthetic	2,613,162	3,036,842	3,449,063	3,704,900	3,097,000	3,926,259
Paper pulp and waste paper	1,997,477	2,191,762	4,021,806	4,606,754	5,718,000	7,703,132
Synthetic and regenerated fibers	267,918	685,121	703,569	1,050,784	555,000	821,508
Sec. 3: Mineral fuels, lubricants, and related materials	8,524,322	6,653,067	4,617,037	3,790,624	2,903,000	3,400,229
Petroleum products	8,505,919	6,634,866	4,463,914	3,766,568	2,385,000	3,025,376
Sec. 4: Animal and vegetable oils and fats	2,080,240	2,479,663	4,563,330	3,933,126	4,281,000	6,716,751
Animal and vegetable oils and fats, processed, waxes of animal or vegetable origin	1,023,559	1,708,566	2,771,191	2,636,127	2,902,000	1,755,279
Sec. 5: Chemicals	60,448,969	52,040,213	54,786,335	52,186,742	47,624,000	61,943,030
Organic chemicals	1,649,441	1,827,556	2,518,725	2,886,740	2,687,000	3,665,771
Inorganic chemicals: elements, oxides, halogen salts	2,674,502	2,251,683	2,529,404	2,260,810	1,706,000	2,312,434
Other inorganic chemicals	2,336,394	2,049,032	2,588,571	2,853,685	2,209,000	2,826,705
Pigments, paints, varnishes	2,605,352	1,817,638	1,998,190	1,959,444	1,589,000	2,197,196
Medicinal and pharmaceutical products	20,092,397	17,564,865	17,670,167	12,705,293	10,552,000	9,747,319
Essential oils, perfume, flavor material	2,873,424	2,715,702	2,905,517	3,045,061	3,050,014	5,574,498
Soaps, cleansing, polishing preparation	2,171,919	2,051,208	1,984,914	2,093,863	1,741,000	1,985,568
Fertilizers, manufactured	1,014,728	1,070,721	808,515	1,083,539	678,007	612,065
Plastic materials, regenerated cellulose, artificial resins	6,718,787	4,454,309	5,434,107	5,451,173	5,662,000	10,026,200

Sec. 6: Manufactured goods.	100,980,443	99,391,708	94,022,083	105,271,000	101,975,617
Articles of rubber, not elsewhere specified.	5,398,216	4,252,818	3,906,672	3,851,731	4,289,042
Paper and paper board.	15,413,908	13,475,007	15,364,571	11,713,000	11,766,843
Articles of paper pulp, paper, board.	7,711,316	4,406,043	2,592,632	2,820,269	3,286,371
Textile yarn and thread.	7,540,179	6,615,839	8,065,693	6,825,000	9,456,596
Cotton fabrics, woven.	6,673,393	4,287,602	5,556,132	2,975,000	4,075,950
Textile fabrics, woven, other than cotton fabrics.	3,426,422	2,263,411	3,586,656	2,954,000	4,180,070
Special textile fabrics, related products.	2,598,000	1,809,040	1,739,155	1,776,067	2,005,402
Made-up articles, of textile materials.	4,038,019	2,652,923	3,917,918	2,370,000	2,564,974
Mineral manufactures, not elsewhere specified.	2,450,620	2,176,859	2,187,648	3,449,441	3,745,280
Glassware.	5,572,576	4,541,496	3,696,104	3,335,516	4,118,360
Iron and steel mill products.	37,019,342	22,542,889	19,360,641	31,172,000	18,990,857
Copper.	1,767,618	2,131,416	3,036,271	2,348,000	1,698,460
Aluminum.	1,465,450	1,124,713	1,123,845	1,345,000	1,807,527
Finished structural parts and structures.	6,345,314	2,493,676	1,786,289	3,392,956	2,147,176
Metal containers for storage and transport.	6,280,998	3,959,253	3,269,380	2,663,581	3,432,230
Tools for use in machines or hand.	6,718,810	6,209,974	4,073,039	5,005,000	5,705,330
Household equipment of base metals.	9,115,837	6,677,031	5,479,805	3,862,000	2,211,527
Manufactures of metal, not elsewhere specified.	9,940,505	5,254,891	4,451,466	5,412,357	6,433,821
Sec. 7: Machinery and transport equipment.	343,024,596	240,080,369	211,274,819	230,803,000	283,325,208
Power generating machinery, other than electric.	21,235,669	11,528,782	12,735,725	13,955,000	16,553,549
Agricultural machinery, implements.	18,915,124	11,642,472	9,676,734	12,808,000	19,077,945
Office machines.	3,345,735	2,438,653	5,644,590	2,105,000	3,687,650
Metalworking machinery.	9,048,639	1,932,952	2,779,524	4,589,438	4,184,900
Textile and leather machinery.	4,862,706	4,778,692	4,156,519	5,661,021	7,680,631
Machines for special industries.	27,148,687	19,461,355	14,469,570	19,356,000	27,041,549
Machinery, appliances (other than electrical), machine parts, not elsewhere specified.	74,528,840	56,335,304	45,169,824	60,375,000	69,195,634
Electric power machinery and switchgear.	22,256,025	14,535,675	8,157,282	6,712,000	12,040,815
Equipment for distributing electricity.	3,892,309	2,345,501	2,393,577	1,212,704	1,386,923
Telecommunications apparatus.	9,306,277	7,074,828	9,933,476	8,693,000	13,004,671
Domestic electrical equipment.	17,955,015	13,257,906	12,694,921	9,060,000	10,446,319
Other electrical machinery, apparatus.	14,156,875	11,426,574	12,854,197	10,873,000	13,546,593
Road motor vehicles.	101,119,453	61,325,755	62,925,819	66,575,000	78,675,810
Aircraft.	1,890,662	1,762,341	5,453,375	7,140,000	2,969,092
Sec. 8: Miscellaneous manufactured articles.	56,059,896	38,977,679	35,730,336	31,171,000	39,875,160
Sanitary, plumbing, heating, lighting fixtures and fittings.	6,139,149	3,778,096	2,581,648	3,022,337	3,467,458
Clothing (except fur clothing).	5,187,477	3,226,495	3,665,041	1,571,397	1,584,463
Furniture.	3,895,321	3,214,593	1,262,369	1,125,559	1,488,909
Scientific, medical, optical, measuring, controlling instruments, apparatus.	8,100,126	5,164,183	5,085,161	5,016,000	6,471,570
Photographic and cinematographic supplies.	2,622,296	2,195,121	2,264,303	2,167,000	2,351,251
Musical instruments, sound recorders, reproducers, parts, and accessories.	6,651,647	3,282,585	2,692,348	2,415,000	3,160,844
Printed matter.	3,966,458	2,633,077	2,340,087	2,051,000	2,599,193
Articles of artificial plastic materials.	3,683,276	2,702,189	1,625,382	1,652,295	2,613,199
Perambulators, toys, games, and sporting goods.	5,149,780	4,244,634	4,319,100	3,006,594	4,936,312
Office and stationery supplies, n.e.s.	3,334,571	2,786,860	2,760,617	2,104,698	2,615,674
Manufactured articles, n.e.s.	5,717,399	4,378,969	4,933,157	5,363,193	6,391,246
Sec. 9: Commodities and transactions not classified according to kind.	9,013,046	6,748,275	5,926,531	8,920,000	10,801,118
Special shipments.	9,013,046	6,748,275	5,926,531	8,920,000	10,801,118

Source: "U.S. Exports Country by Commodity Groupings," U.S. Department of Commerce, Bureau of the Census FT 420, 1964 annual. "A Market for U.S. Products—Venezuela," a supplement to International Commerce, U.S. Department of Commerce publication, June 1964.

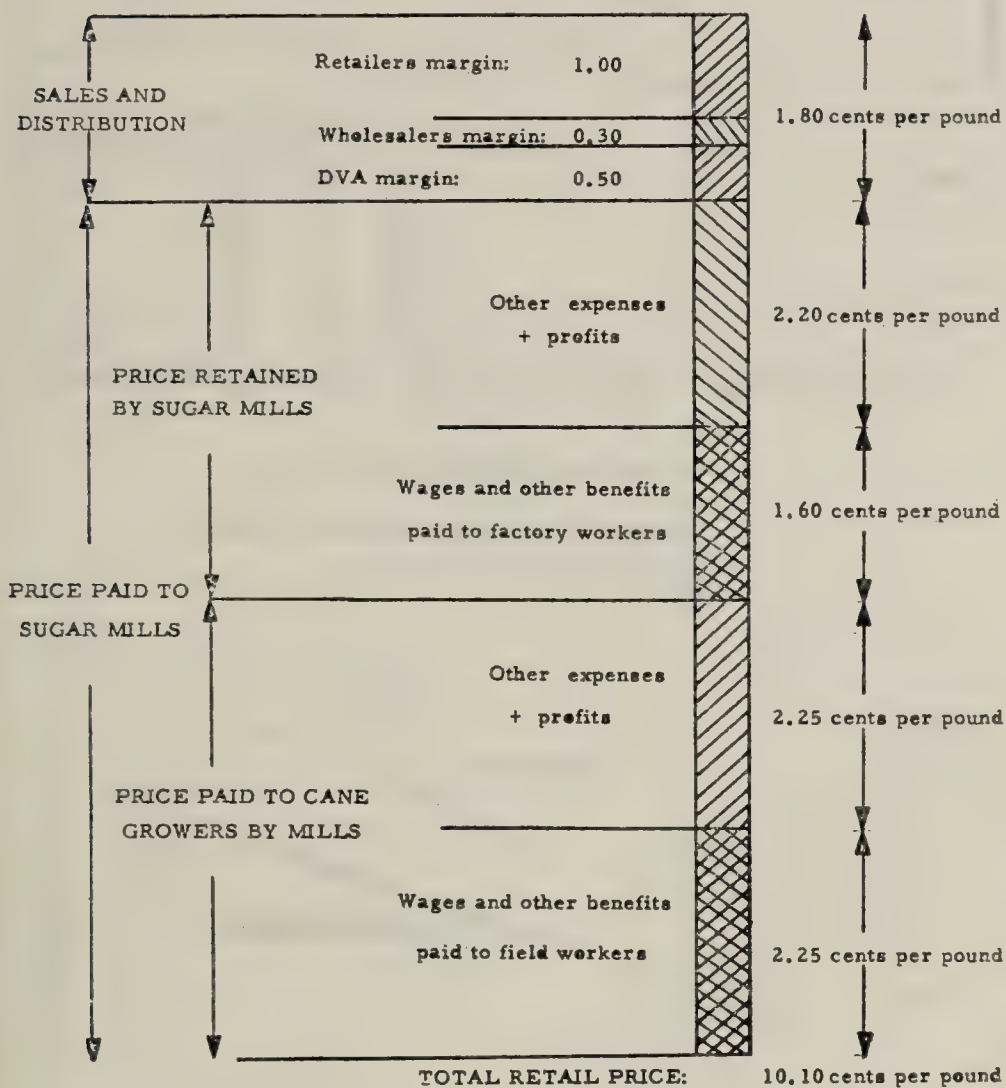


VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

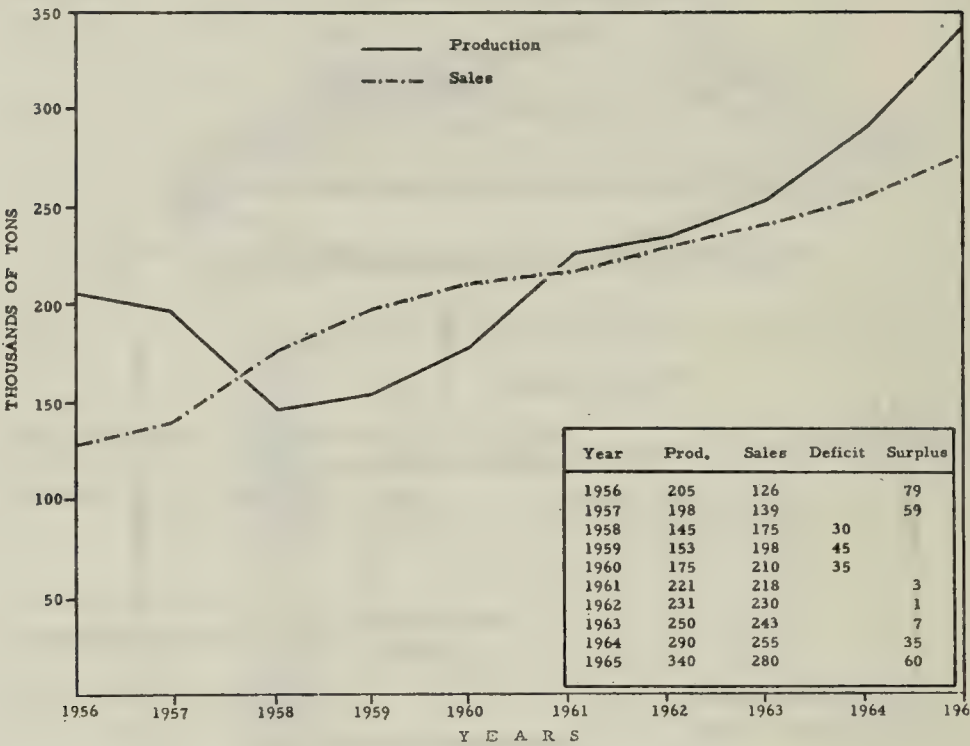


VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

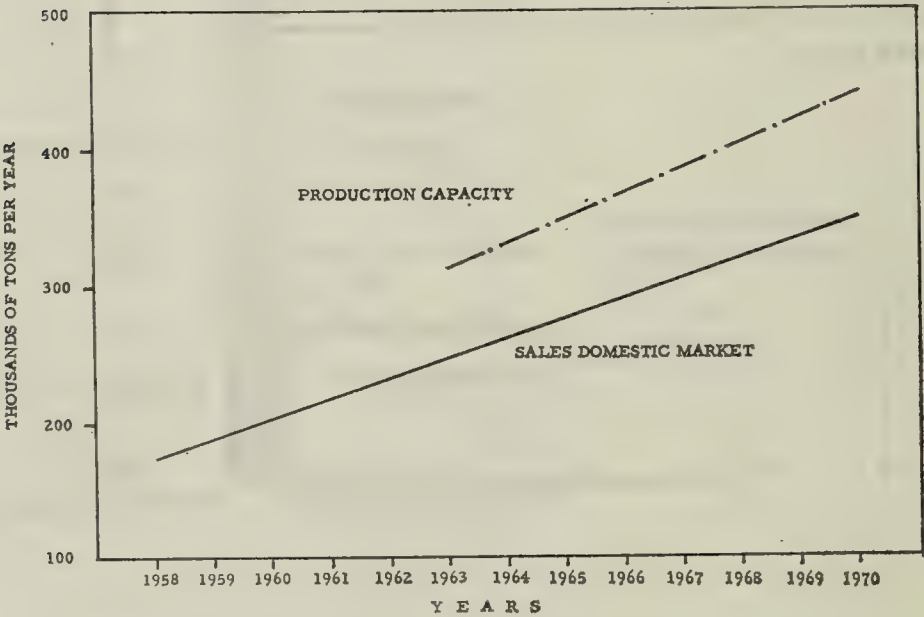
BREAKDOWN OF RETAIL PRICE OF REFINED SUGAR



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.
PRODUCTION AND SALES 1956-1965



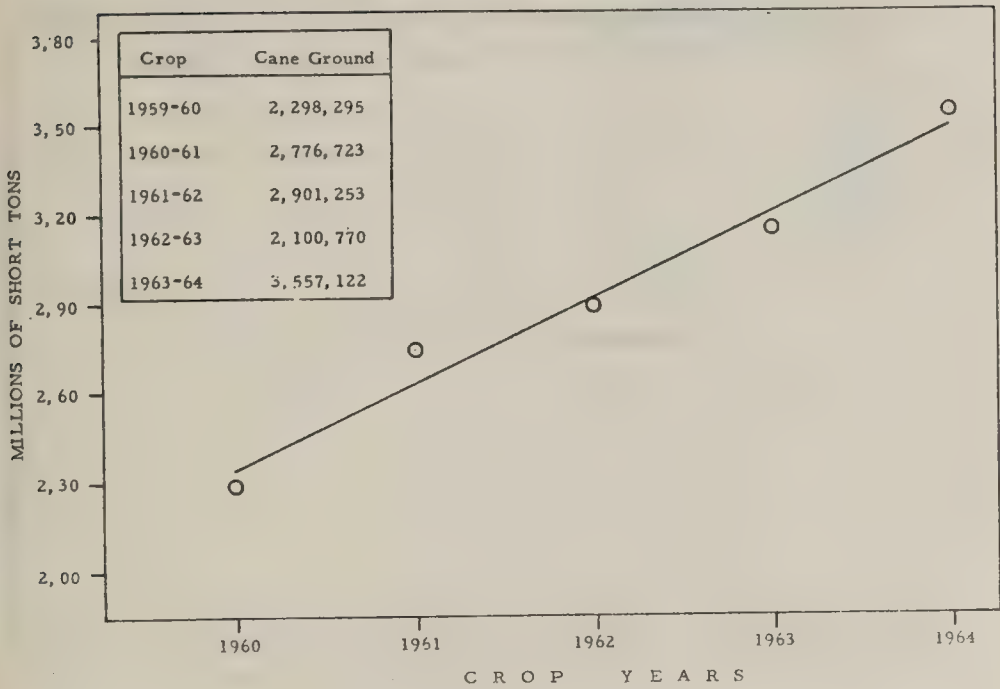
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
PRODUCTION CAPACITY AND DOMESTIC SALES ESTIMATE



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

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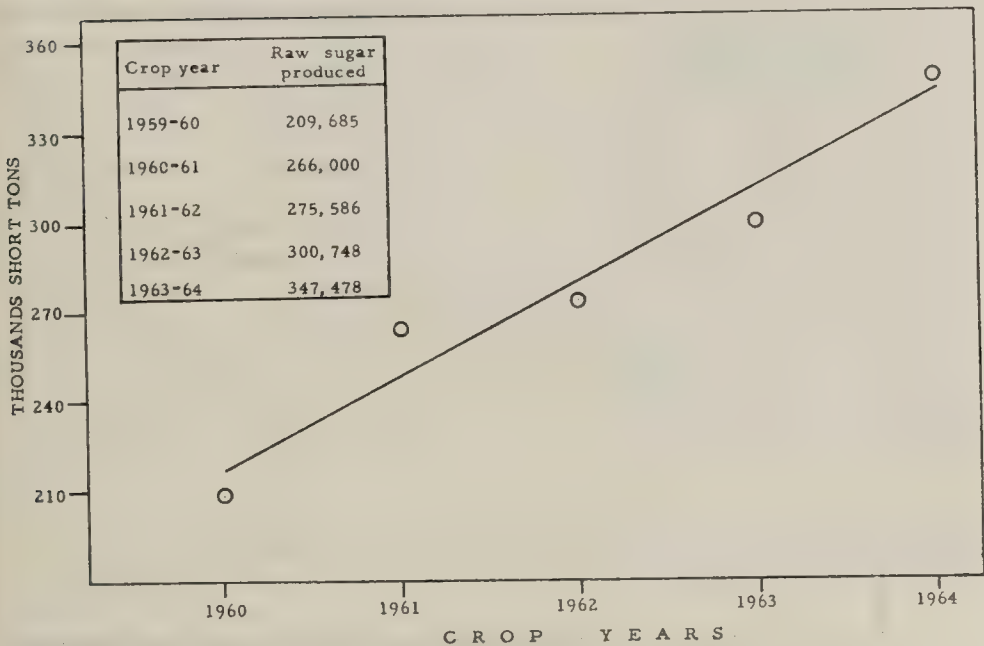
SUGAR CANE HARVESTED



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

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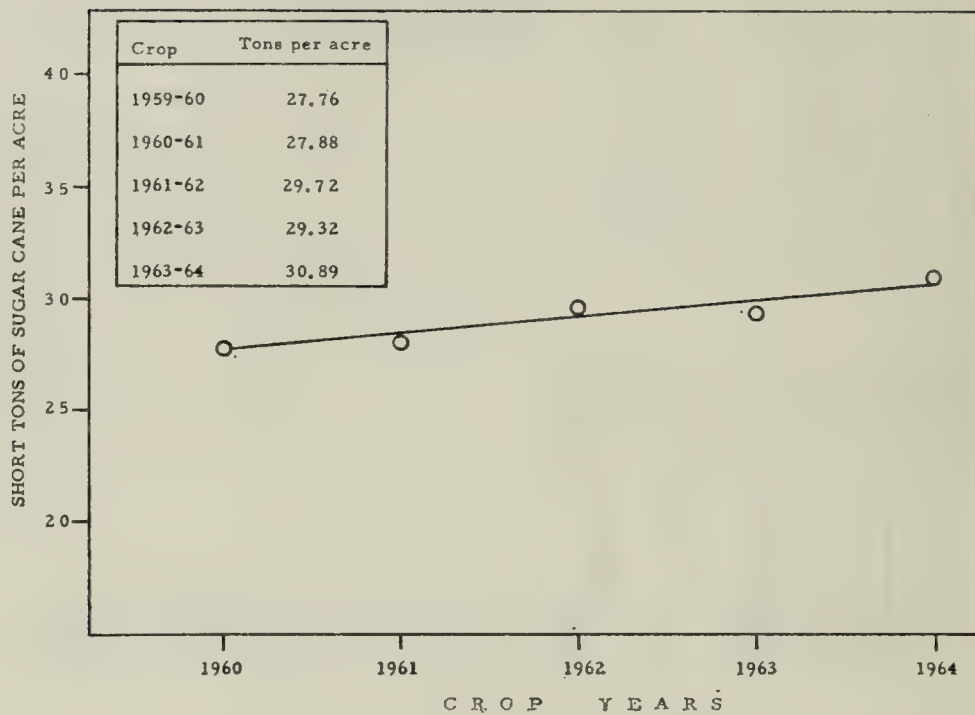
SUGAR PRODUCTION OF VENEZUELA



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

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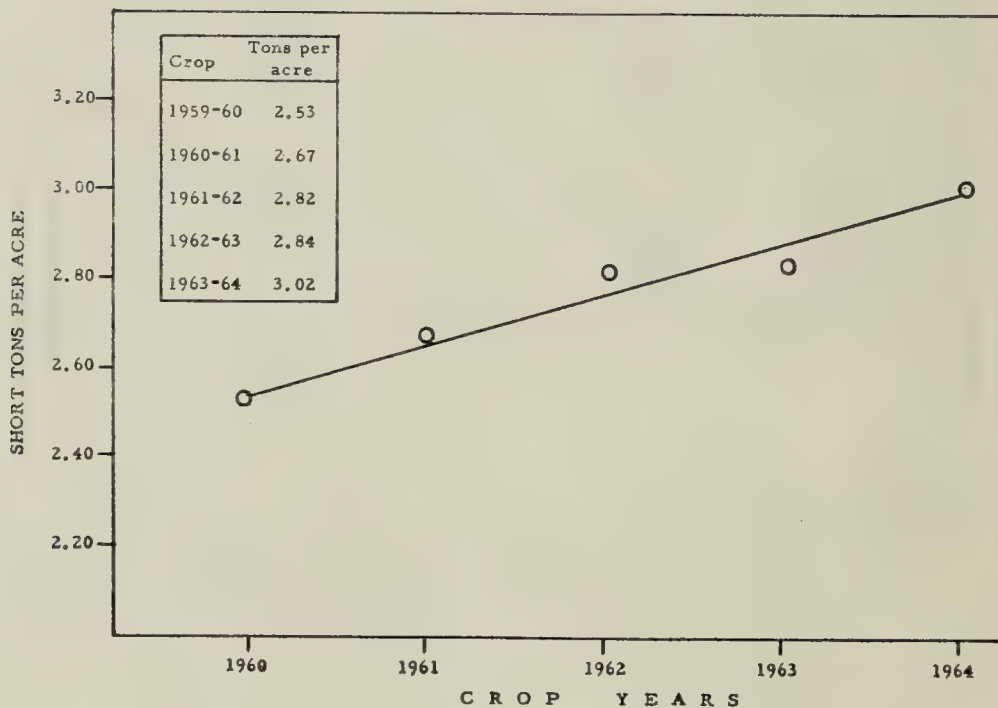
YIELDS IN SHORT TONS OF SUGAR CANE PER ACRE



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

D. V. A.

YIELDS IN SHORT TONS OF RAW SUGAR PER ACRE



Senator LONG. Thank you very much for your statement, Mr. Clark. Our next witness is Mr. Edward A. McCabe, appearing on behalf of the Association of Sugar Producers in Bolivia.

**STATEMENT OF EDWARD A. McCABE, REPRESENTING THE
ASSOCIATION OF SUGAR PRODUCERS IN BOLIVIA**

Mr. McCABE. My name is Edward A. McCabe, and I am a partner in the law firm of Hamel, Morgan, Park & Saunders, 888 17th Street, NW., Washington, D.C. We appear on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar, the association of sugar producers in Bolivia. We have filed the required registration statements on behalf of our clients with the Congress and with the Department of Justice.

Bolivia requests a quota assignment of 10,000 tons of sugar. This would be a new quota, since Bolivia, a newcomer to the export field, is not now included in the act. She has, however, been included in the bill (H.R. 11135) which passed the House October 12 and is now before your committee. A 0.10 percent quota share would be allocated to Bolivia under the House-passed bill. This amounts to 4,054 tons on a 9.7-million-ton U.S. consumption estimate, and 4,592 tons on a projected 10-million-ton consumption estimate for 1966. In addition to this tonnage, the House Committee on Agriculture in its report (H. Rept. No. 1046, at p. 14) requested that the President allocate an additional 3,000 tons to Bolivia if the political situation there permits such action. This added tonnage requested in the House committee report would come from domestic and Western Hemisphere nations' deficits—after the Philippine share of those deficits had been filled.

The recommendations of the House Agriculture Committee and the whole House have been enthusiastically received and widely hailed in Bolivia. Her sugar industry welcomes the opportunity offered by the recommendations. The tonnage referred to—while quite small by U.S. standards—would have immense economic significance to Bolivia and to all those whose livelihoods are closely related to her sugar industry. Yet, because of Bolivia's ability and readiness to ship even greater quantities of sugar to U.S. markets, we renew to your committee the request we made earlier to the House—for a basic quota assignment of 10,000 tons for Bolivia. In the light of Bolivia's present capacity to export, and for the other reasons to be cited later in this statement, we believe this to be a modest and a reasonable request.

In the current year Bolivia will have an exportable sugar surplus of approximately 25,000 tons. She has the capacity to produce and ship immediately. Not only will she be able to fill the quota asked for here, but she also pledges to the United States any additional sugar she may have in the future for which the United States may have a need.

In this connection it should be pointed out that in 1963 and 1964, when the United States had special sugar needs, Bolivia was not yet in a position to help. In those years she exported no sugar to any nation.

Until 5 or 6 years ago, there was no sizable quantity of sugar produced in Bolivia. Since that time, however, the industry has grown

to a point where sugar is Bolivia's most significant agricultural crop and the third largest Bolivian industry. Total annual production is currently running about 93,000 tons.

The sugar industry in Bolivia is at least 75 percent privately owned and operated. While about 25 percent is presently under Government operation, it is the stated policy of the Bolivian Government to move actively toward private ownership and operation at the earliest possible time.

These mills have received considerable U.S. help in recent years through the Development Loan Fund. And we would also call attention to the fact that all the mills have recently instituted impressive fringe benefits for employees and their families. These include housing, schools, recreational facilities, medical clinics, access roads, bridges, and so forth, at areas where these mills are located.

Sugar producing in Bolivia is centered in the Santa Cruz area. The economy of this region is heavily related to sugar, and upward of 50,000 people there are dependent on this industry. It should also be pointed out that in the Santa Cruz area in the past few years the United States (through AID programs) has invested nearly \$100 million in a variety of improvements, including major road construction. A principal target of our AID program in Bolivia has been the encouragement of Bolivia's sugar industry.

Approximately two-thirds of Bolivia's population is Indian. For many generations, most of this Indian population has lived in the highlands. Efforts are underway to change this, however, so that this segment of the population can be introduced to more productive occupations. To this end, approximately 5,000 Indian families have been resettled in the sugar-producing area of Santa Cruz. This resettlement, made with the encouragement of U.S. AID personnel, looks to a thriving sugar industry for its success. And its success is a matter of pressing national significance to Bolivia.

The Santa Cruz region is a vast area which offers great promise for a rich agricultural economy. With a thriving sugar industry the nucleus of further development, the economy of the country as a whole will prosper as the sugar industry grows and prospers in Santa Cruz.

Some U.S. personnel in Bolivia have at times expressed concern that Bolivia, with no seaports, must face the added expense of transporting her sugar a considerable distance to gain access to ocean shipping. This is true. Bolivia is a landlocked nation. All her commodities are produced inland. All must be moved to the sea. And all—coffee, rice, tin, and others as well as sugar—must assume the burden of transport costs which are often greater than those facing the same commodities in other nations, for no Bolivian product enjoys any market monopoly. Yet if Bolivia, as an inland nation, were discouraged by her own geography to the point where she would not welcome the chance to improve her economy—then it would seem that her people had no future at all. Happily, this is not the case. Neither Bolivia nor her sugar industry is dismayed by the transportation problem inherent in her very location. Further, an expanded sugar industry is only a part—though a very significant part—of a 10-year industrial development program. In this connection, we would emphasize also that Bolivia is not standing still in the thought that a share in our sugar market will cure all her economic difficulties. She does, however, view

a modest share in our market as a major benefit from which a variety of other benefits will flow. For example, sugar milling byproducts are the raw materials on which other industries depend. These would include in Bolivia small industries such as paper products, yeast, hardboard—industries which can prosper quickly from a readily available raw materials supply, industries particularly suited to the current state of Bolivia's technology and industrial advancement.

It is important in assessing the sugar industry's significance to the people of Bolivia to note that the great bulk of sugarcane production is in the hands of small growers. These number approximately 20,000. They are individual entrepreneurs, each producing sugarcane on his own land. Most of them are family operations, much in the fashion of what the United States has long known as the small family farm. These small growers are presently responsible for about 75 percent of Bolivia's cane production. It is the policy of the Bolivian Government that, as additional small growers produce cane, they will receive the remaining share of the country's sugarcane market. This policy and purpose are underscored by the fact that in Bolivia today no sugar mill may produce for itself more than 10 percent of the cane it processes.

Under the terms of these policies, virtually all Bolivian cane production will soon be in the hands of small individual growers, with no large monopoly type holdings possible. Hence, it would seem clear that in Bolivia's sugar industry the small farmer can advance and prosper by his own initiative and enterprise.

Bolivia is a sizable importer of a great variety of U.S. commodities. Bolivia requires that all state industries (oil, mining, etc.) import their basic commodity requirements from the United States. The United States is thus the source of approximately 80 percent of all Bolivia's imports. In agricultural commodities, Bolivia's current importation from the United States runs at about \$15 million annually. A major part of these imports is in cotton, wheat, and flour. And we want to emphasize here that while Bolivia is one of the less populated nations in Latin America, her agricultural imports from the United States exceed those of more than half the other Latin American nations. Further, she imports more U.S. agricultural commodities than do many of her sister Latin American nations who already have been granted sugar quotas.

As the capacity of Bolivia's sugar industry grows, she also faces the pressing necessity of finding markets. To this end—in addition to this request for a modest 10,000-ton quota from the United States—there is now actively underway an intensive promotion campaign to encourage greater use of sugar in Bolivia itself. Characteristically, many in Bolivia have never included sugar in their diets at all. It is expected that aggressive promotion and advertising campaigns will remedy much of this in time. But admittedly the process will be a slow one. Accordingly, in the foreseeable future this industry, upon which so much of Bolivia's economy depends, must look to foreign markets.

As a staunch friend of the United States, Bolivia looks hopefully to us for a small share in our market. Considering her present exportable sugar surplus, she hopes earnestly that she may be allotted a quota assignment of 10,000 tons. As pointed out above, there exists in Bolivia the capacity to ship this sugar immediately.

We feel that favorable consideration of this request will benefit the U.S. consumer by introducing into the U.S. market a friendly and dependable source of supply. Further, it would seem to be in the interest of the United States to grant this quota. Since so much of Bolivia depends upon sugar, favorable consideration by the United States would quickly become known by all the people. This very knowledge alone should foster a closer relationship between the United States and the people of Bolivia.

In recent international difficulties, Bolivia has stood steadfast with the United States in support of our efforts to secure peace and order in the world. This has been particularly notable in the United Nations, where Bolivia is currently serving as a member of the 11-nation Security Council. It has been notable too in the Organization of American States, and was especially marked during the Dominican crisis earlier this year. On problems involving Cuba she stands firmly with the United States.

In citing these actions by Bolivia, we do not suggest to your committee, nor did we suggest in earlier House testimony, that of themselves they warrant for her any preferential treatment under the Sugar Act. They do not. These actions were taken by Bolivia in her sovereign capacity in the firm belief that they were proper actions in the circumstances; that they were in the best interests of Bolivia, of Western Hemisphere unity and in the interest of a peaceful world. They were not taken, and they are not now cited, in the nature of a plea for special treatment in the form of a sugar quota. Bolivia will continue to take her stand with the United States because she knows that the causes we jointly espouse are in the best interests not alone of our own nations but of all mankind. We believe, however, that a course of national conduct is an important item for congressional assessment in considering legislation of such international significance as the measure now before your committee.

We are convinced that favorable consideration of Bolivia's request will benefit the American sugar consumer. We know that it will benefit the Bolivian sugar industry. In emphasizing the close and sympathetic ties which exist between our two Governments, we feel that it will also contribute to better mutual understanding and a more effective working relationship between the peoples of both countries.

We are grateful for the opportunity to present this request to your committee on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar of Bolivia. We trust that it will be favorably considered, and that your committee and the Congress will approve Bolivia's request for a 10,000-ton quota assignment.

The CHAIRMAN. Thank you Mr. McCabe.

Our next witness is Mr. Arthur L. Quinn, counsel for the Sugar Industries of British West Indies, Ecuador, Panama, and British Honduras.

STATEMENT OF ARTHUR L. QUINN, COUNSEL, SUGAR INDUSTRIES OF BRITISH WEST INDIES, ECUADOR, PANAMA, AND BRITISH HONDURAS

Mr. QUINN. Mr. Chairman and members of the committee my name is Arthur L. Quinn. I am associated in the practice of law with my

son, Arthur Lee Quinn, under the firm name of Quinn & Quinn, with offices at 303 Commonwealth Building, 1625 K Street NW., Washington, D.C.

We are Washington counsel for privately owned sugar companies that produce sugar, principally for export, in the British West Indies, including British Guiana and Ecuador, Panama, and British Honduras.

The sugar interests of the British West Indies and British Guiana form the British West Indies Sugar Association and include the producers on the Caribbean islands of Jamaica, Trinidad, Antigua, Barbados, and St. Kitts, and the territory of British Guiana, which is situated in northern South America. In this group, there are two independent nations; namely, Jamaica and Trinidad-Tobago, and there is every indication that from within the group there will be two more independent countries in the next year or two; namely, British Guiana, which will be called Guyana and a Federation of West Indian Islands, which will include St. Kitts, Antigua, and Barbados.

We represent the sugar industry of Ecuador which is composed of two commercial companies; the Valdez Sugar Co. and Sociedad Agricola Industrial.

In Panama, our clients are the two principal companies which are Compania Azucarera La Estrella, S. A. and Azucarera Nacional, S. A.

Our client in British Honduras is the Corozal Sugar Co., Ltd., which is the sole operator in that country.

The sugar industries of the countries and emergent territories where our clients are situated are among the most important in their respective economies. In all of these areas substantial shares of national revenues are derived from the sale of sugar—a basic agricultural commodity produced for sale abroad. The income realized from the sale of this commodity provides wages, salaries, and support for thousands of people and furnishes a large meaningful source of funds which are used to purchase industrialized products, which in turn are so essential to the economic development of these emerging lands.

In all of these countries the sugar industry is a large employer—in the British West Indies it is the largest. In Ecuador and Panama it ranks among the highest in importance in the field of agriculture, and in tiny British Honduras it has become in a brief period of time the single most important industry in that territory.

FOREIGN QUOTAS

The amendments to the Sugar Act, as proposed by the administration, and contained in S. 2567, and elaborated upon by the testimony of Mr. John Schnittker, the Under Secretary of Agriculture, advocate the adoption of a particular formula in calculating the quotas to be allotted to foreign suppliers of sugar. In substance, this formula basically would completely disregard the quota allocations made by the Congress in the 1962 amendments to the act, and substitute instead, quotas based upon total shipments of sugar to this country by foreign nations other than the Philippines during the years 1963 and 1964, with a double weighting being given to the latter year. This same formula was presented to the Committee on Agriculture of the House of Representatives, found to be unsatisfactory and rejected in favor of

a distribution of quotas more in keeping with the spirit of the Sugar Act. We find the quota distribution in H.R. 11135 to be satisfactory and urge its adoption by this committee. I am strenuously opposed to the administration's formula for the following reasons:

1. THE 2 YEARS OF 1963 AND 1964 ARE NOT TRULY REPRESENTATIVE YEARS

Nineteen hundred and sixty-three was a very abnormal year in sugar during which the world experienced the threat of severe shortages. Ordinary prices, normal production and marketing patterns were thrown askew. In 1964, foreign countries were deprived by the Department of Agriculture of shipping 500,000 tons of sugar to the United States that they ordinarily would have been entitled to ship. To consider these 2 years alone, and especially to give double weighting to 1964, would be grossly unfair to the majority of Western Hemisphere foreign participants in the U.S. sugar program. To take just these 2 years is not the proper route to a fair formula.

2. THE ADMINISTRATION'S FORMULA WOULD COMPLETELY IGNORE RELATIVE QUOTA POSITIONS ESTABLISHED BY CONGRESS IN THE 1962 AMENDMENTS TO THE SUGAR ACT

A drastic rearrangement of quota positions, as would take place as a result of the adoption of the administration's formula, would harm those countries which need the most help. It is impossible to establish sugar quotas to the satisfaction of all parties. Some will always feel they came out on the short end. But in 1962, this committee in particular and the Congress in general did an admirable job of assigning basic quotas, and I feel that the considerations stressed then continue to be of merit today and should once more be paramount.

One consideration which is apparent from a review of the 1962 quota list, and also from other sections of the act, is that the Western Hemisphere nations were meant to be favored. This was sound thinking. The sugar that was to be allocated to the various countries was formerly Cuban sugar. It was in this hemisphere. Congress in its wisdom kept most of it here by allocating it to nearby friendly countries—where sources of supply were in close proximity to our shores. This should continue to be a rudimentary precept of U.S. sugar policy.

Before I leave this point, please let me quote from a 38-page pamphlet prepared by the staff of the Committee on Agriculture of the House of Representatives, with the assistance of the Sugar Division of the U.S. Department of Agriculture, dated May 14, 1962, page 4, entitled "Basic Purposes of the Sugar Act":

Basically, the Sugar Act is intended to do three things: (1) make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within continental United States and to do this without consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar. * * * The Sugar Act has given us this security in supplies and at the same time has done so at a minimum cost to the consumer and taxpayer. Retail sugar prices in the United States have been remarkably stable since the enactment of the Sugar Act. Our Sugar Act also has been successful for the most part in attaining its third objective—the sharing of part of our market equitably among nearby friendly nations.

There are three key words in what I have just quoted: (1) nearby; (2) friendly; and (3) equitably.

I would stress that we represent small nations. They are nearby and they are friendly to the United States.

In addition to keeping most of the foreign sugar, exclusive of the Philippine quota, in this hemisphere, the 1962 amendments afforded a number of the smaller underdeveloped countries in this hemisphere an opportunity to participate in a valuable cash market. These are countries that desperately need to trade with the United States. In most instances all they have to trade with are tropical agricultural products. They welcomed the chance to gain permanent positions in our sugar market, and it would be a terrible setback to their economies to have these positions diminished—and many of them would be if the administration's formula is adopted.

The Government's formula would designate that large quantities of sugar be furnished by distant suppliers. This violates a basic purpose of the Sugar Act; that is, the insuring of adequate sources of supply at all times. The past has proven the inadvisability of over-extending our lines of supply for commodities. In time of world crisis, such as we are now experiencing, the United States could suddenly find itself lacking sufficient raw sugar for cane refineries on the densely populated east coast because of dependence to such a considerable extent on sugar that takes between 4 and 5 weeks to reach our ports.

3. THE PROPOSED FORMULA WOULD FAVOR LARGE PRODUCING AREAS OVER SMALL ONES

If the administration formula were written into the 1965 amendments it would mean that a few countries, who fortunately had large quantities of sugar for export during 1963 and 1964, and shipped considerable amounts to the United States in those years, would gain quota position on those smaller nations who unfortunately did not have such large amounts to ship in those 2 years.

An equitable approach to quotas: In 1962 Congress enacted amendments to the Sugar Act which basically altered the existing program. These amendments, among other things, gave the domestic areas 4 years of certainty and the foreign areas, other than the Philippines, 2 years of temporary life. The domestic participants had twice as long to plan and market, and the foreigners were left dangling in the middle of a statutory period. With a minimum of 2 years, in most countries, being necessary from planting to first cutting of a crop of cane, foreign suppliers were left not knowing what would be in store for them in the U.S. market in 1965 and 1966. In addition, their plight was compounded by the insertion of a "global quota" provision in the sugar program. The effect this provision had upon the sugar market is still being debated, but the fact remains that within a matter of months after enactment of the 1962 amendments, the New York spot price of sugar rose to \$13.20 per hundredweight, the highest price paid since 1920. The violent gyrations of the 1963 sugar market were found to be of sufficient importance to this committee to cause it to hold hearings on sugar prices. These hearings, held on May 29 and June 6, 1963, resulted in no specific report being issued, but I

would like to think the sentiments expressed by Senator Curtis at the conclusion of his questioning of Department of Agriculture witnesses, were the sentiments of a majority of this committee. Senator Curtis said:

* * * and never did we have an agricultural program for any commodity that worked with the success that the basic Sugar Act did.

The consumer was well taken care of, supplies were maintained, an adequate price was maintained to producers. The Treasury made a profit on it.

Senator Curtis then stated that, in his opinion, the domestic share of the market was not large enough, but terminated his remarks by saying:

But we had an excellent act that was serving everybody concerned, making a profit for the Treasury, and we made the mistake of rocking the boat.

I agreed with Senator Curtis then and I agree with him now. I sincerely hope this committee, by means of the 1965 amendments, will restore order and balance to the sugar program.

The foreign suppliers can only surmise that the approach to the sugar program of the past administration, much of which unfortunately became law in 1962, was designed to discourage foreign participation in our market. It would appear it was conceived to provide an interim program to tide things over until such time as Cuba reentered our market. If this was the case the program was ill conceived and we hope this will prevail no longer.

Historically, the first sugar legislation was passed in 1934. Until 1961, the only foreign country other than the Philippines which enjoyed a substantial position in the U.S. market was Cuba, and that position was most substantial indeed, in that Cuba contributed approximately one-third of the U.S. consumption requirements.

Extensive participation by other countries was written into law for the first time by virtue of the 1962 amendments to the Sugar Act.

Those portions of the Sugar Act which pertained to foreign countries, other than the Philippines, expired on December 31, 1964. The 1962 amendments fixed quotas for the domestic areas and the Republic of the Philippines to run until December 31, 1966. Therefore, these quotas are still in effect.

The quotas for foreign countries other than the Philippines in effect for this year were improvised by the Department of Agriculture by allocating quotas on the basis of a formula calculated according to total shipments by foreign countries to the United States during calendar years 1963 and 1964, with double weighting being given to the latter year. The formula which is in effect today is also the basis of the formula the administration advocates for permanent adoption by this committee.

Until 1962, with the exception of Cuba, only two other countries in the Western Hemisphere enjoyed a history of substantial participation in the U.S. market. They were Peru and the Dominican Republic. Because of the dominant position enjoyed by Cuba until the severance of diplomatic relations with that country in 1961, shipments by these two countries to the United States were comparatively small, considering the fact these two countries had been in the sugar program since 1934—never more than 100,000 tons for each country in a single year.

The 1962 amendments awarded quotas to 16 Western Hemisphere countries and 7 non-Western Hemisphere nations. Additionally, the amendments to the so-called honey bee bill, enacted after the passage of the 1962 amendments, gave Argentina a quota of 20,000 tons and increased the quota of the Dominican Republic by an additional 130,000 tons. This is the status of quotas today.

The 1962 amendments required that special consideration be given to countries of the Western Hemisphere both in authorizing importation of "global quota" sugar and also in the proration of quota deficits. There are strong considerations why this preference should not only be continued but elaborated upon.

As has been stated before, all the sugar to be allocated among the several foreign nations, except the Philippines, was formerly Cuban sugar, that is, sugar within this hemisphere. Cuba, prior to Castro, was the American sugar bowl, and as such, provided a proximate source of supply which could be dipped into at any time in virtually any amount. In order to replace this handy source, the United States should now provide itself with a set of smaller sugar bowls, of varying sizes, but all within easy reach. It would be a mistake to depend too heavily upon a few large sources, but at the same time the lines of supply should be short. Sugar supplied by the various countries of the Western Hemisphere is the answer.

The United States can obtain sugar from its neighbors in a matter of days as against 4 or 5 weeks actual sailing time for sugar coming from the far reaches of the globe. The dreadful experience of World War II demonstrated the advantages of having sugar supplies close to our shores.

Our good neighbors to the south want to trade with us; not be the constant recipients of our aid. They have so few products with which to trade, that tropical farm products, and particularly sugar, in many instances, forms the lifeblood of their economies. The less developed nations within our hemisphere, which we are striving so earnestly to assist in their development, must depend principally on agriculture and commodities raised for export in order to allow them to exist and to give them the dollars to purchase the hard manufactured goods, exported from this country, so essential to their development. I wish to again stress that one of the three basic purposes of the Sugar Act is to promote international trade. This committee, in keeping with this avowed purpose of the sugar program, has within its power the means of accomplishing a tremendous amount of good for our neighbors in this hemisphere particularly the smaller, struggling nations, by means of equitably distributing sugar quotas among them.

In my testimony before the Committee on Agriculture of the House of Representatives on August 20 of this year I urged the committee to consider the following points in its allocation of foreign country quotas:

(1) Nations be permitted to retain the basic quotas awarded them by Congress in 1962.

(2) As enunciated in the 1962 amendments, preference be given to nearby Western Hemisphere areas.

(3) The temporary allocation to the Dominican Republic made by virtue of the amendments of the honey bee bill of 1962, be redistributed among all Western Hemisphere areas, including, of course, the Dominican Republic.

(4) If a time period is to be used in calculating the allocation of any quantities of sugar, then, the period 1961-64, inclusive, should be used, it being the only true and fair representative period of country-by-country performance.

In addition I made the following recommendations with respect to other provisions of the proposed amendments:

The so-called Cuban reserve should be phased out over a period of years and incorporated in the basic quotas of the Western Hemisphere areas, and in no event should the period of years be longer than 10 years.

Quota deficits should be restricted for reallocation to Western Hemisphere areas.

Growth participation should be restricted to Western Hemisphere areas for the period of the act.

The committee report on H.R. 11135 states on pages 7 and 8:

H.R. 11135 ADOPTS 1962 ACT PRINCIPLES

The committee has used the distribution of quotas among foreign countries established in the 1962 act as the basis of the quotas for the duration of this bill. It has embraced the same considerations it followed in 1962; namely, (1) ability of the supplying country to provide sugar at the time needed for the consumers of the United States; (2) the development of foreign trade; and (3) the friendly relations of the countries involved.

In general, the committee has tried to keep as much of our foreign sugar quota in the Western Hemisphere as possible. There are two reasons for this. First, sugar shipped from the Western Hemisphere is far more accessible and available to the United States on short notice than is sugar coming from great distances; second, the countries of the Western Hemisphere are virtually all developing countries, they need the assistance of the United States in expanding their economies and their ability to purchase from the United States, and they represent, in the long run, the greatest possible market for U.S. commodities.

As I said previously in this statement it is impossible to establish sugar quotas to the satisfaction of all parties, but I believe that everything considered the Committee on Agriculture of the House on the whole worked out an equitable distribution of foreign quotas and I hope this committee will retain those quota provisions of H.R. 11135.

Mr. Chairman and members of this committee, we represent four areas. In this general statement I would like to summarize the cases presented by each of these areas and accompany this statement with a detailed presentation on behalf of each area.

All of these areas, the British West Indies, Ecuador, Panama, and British Honduras are friendly nearby Western Hemisphere nations in close proximity to the United States. They all have ample supplies of sugar available for export to the United States. Each was accorded a basic quota position in the U.S. market as a result of the 1962 amendments, for which they are extremely grateful. It is their earnest desire to not only retain their positions but significantly increase them. In keeping with this desire they are willing to hold in reserve, exclusively for the United States, up to 50 percent of quotas awarded them.

BRITISH WEST INDIES SUGAR ASSOCIATION

The strategic importance of this group of West Indian islands and British Guiana to the United States must be emphasized. An agreement between the United States and the British Government during World War II permitted the United States to establish military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961 the "Bases Agreement," as it is referred to, was renegotiated by the United States with the individual territories, for a 17-year period up to 1978. These areas are not only friendly but their strategic value persists.

The British West Indies formerly consisted of a group of British colonial islands and British Guiana. As I pointed out at the beginning of this statement it now includes two independent nations—Jamaica and Trinidad-Tobago, and will soon probably include two more—British Guiana, which will be called Guyana, and a Federation of West Indian Islands.

The British West Indies was accorded a basic quota position in 1962 of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows: 1961—265,845 short tons, 1962—181,661 short tons, 1963—141,356 short tons, 1964—142,228 short tons, 1965—140,935 (authorized).

The above figures indicate average shipments during the period 1961 through 1964 to be 182,772 tons. This is indeed a creditable performance record and we hope the British West Indies will be given the opportunity to improve upon it. The members of the British West Indies Sugar Association are willing to supply the United States as much as 300,000 tons a year. Trade with this nearby area continues to be brisk and it remains a significant outlet for American products. In 1964 alone over \$160 million worth of U.S. goods were sold to this group.

In the West Indies sugar is the most important agricultural commodity produced and the industry is by far the largest single employer. Continued sales of sugar to the United States are of vital importance to the sustained growth of the economies of these areas.

ECUADOR

The Ecuadorian sugar industry is an example of the success of private enterprise in its responsible performance of its obligations to its own domestic market and the national economy as a whole. The gradual expansion of the industry has been of great benefit to the Nation's general economic growth and it has contributed substantially to improving the Nation's standard of living. Sugar has been elevated from the status of an imported commodity to the fourth highest export.

There are approximately 17,000 workers in the Ecuadorian sugar industry, and they are among the best treated sugar workers in Latin America. These workers with their families represent approximately 70,000 people who are dependent upon the industry for their livelihood. Ecuadorian shipments of sugar to the United States have been since 1961 as follows: 1961, 31,010; 1962, 66,861; 1963, 57,977; 1964, 58,106; 1965, 57,114 (authorized).

Ecuador continues to become an increasingly important outlet for U.S. exports. In 1964 the total value of our exports to that country climbed from the 1963 figure of \$56 million to more than \$83 million.

In 1962 Ecuador was awarded a basic quota of 25,000 tons but it can be seen from the above that she has averaged shipments to the United States of 53,488 tons, 1961-64 inclusive. It stands ready and able to supply the United States with amounts in excess of 90,000 tons per year. We hope the committee will look with favor upon the exemplary performance and proven dependability of Ecuador and award her a fair and equitable quota.

PANAMA

Panama, the crossroad of world trade, is of tremendous strategic importance to the United States. Time and again the vital importance of the Panama Canal to the United States has been proven.

In the past, the economy of the nation of Panama has been closely linked to that of the Panama Canal Zone. The result has been neglect to important sectors of the economy, causing a huge trade gap to come about. The biggest beneficiary of the Panamanian necessity for importation has been the United States; 1964 figures alone show imports of U.S. goods totaling approximately \$110 million while exports to the United States amounted to only \$40 million.

Because of our vital concern with the canal we must simultaneously be vitally concerned with the economic well being of the country of Panama. The effect of the new treaty with Panama, whereby the United States will give control of the Canal Zone to Panama will do much to stimulate growth. In addition the United States has for some time been making concerted efforts to assist the country in achieving a viable economy by developing basic industries that will assist the nation in its attempt to close the trade gap. The largest industry in Panama is agriculture and substantial progress is being made in increasing production of tropical products for export. Of foremost importance is sugar. A real stimulant to the national economy could be provided by dollars received from additional sales of sugar to the United States. The sugar industry is prepared to ship in excess of 30,000 tons of sugar each year to the United States. We earnestly feel that Panama because of its unique position in this hemisphere, should be assisted in every possible way economically.

We urge the committee to consider the very special situation in Panama and increase her basic quota to an amount equal to that of her neighbors in Central America.

BRITISH HONDURAS

British Honduras is a tiny corner of Central America—a dependent territory of Great Britain which is advancing toward independence. This poor, underpopulated country, as it hangs suspended in the limbo of semi-independence, is unable to obtain direct financial and economic assistance in the manner of a sovereign nation. She cannot participate in our AID program nor deal directly with multinational financial institutions. Therefore, if she is to achieve a viable economy the only significant means is by the infusion of private capital into her economy. British Honduras perpetually suffers from a trade deficit and, as in the case of Panama, the biggest beneficiary of this is the United States, which usually enjoys a better than 2-to-1 advantage.

However, in the recent past, this land, with its great, untapped potential for agricultural development, has seen large-scale commitment of private funds in only one industry—sugar. In 1963 the Corozal Sugar Co., Ltd., purchased the one existing sugar mill and committed itself to expend over \$20 million in improvements of existing facilities, purchase and planting of large quantities of land and construction of a large new factory. The impact of this expansion of

the sugar industry upon the national economy of British Honduras has been astounding.

Sugar will become the largest industry in the country within a brief time. Hundreds of farmers are being given the opportunity to plant sugarcane, hundreds of men will find badly needed employment as facilities are constructed and production increases, and, most importantly, if the Corozal Sugar Co. is a success, other capital will undoubtedly be attracted to the country.

The importance of the sugar industry in British Honduras cannot be overemphasized. In order to be a successful industry it must be able to sell its product, and it now implores this committee to permit it to gain an increased share of the U.S. market. In 1962 British Honduras was awarded a basic quota of 10,000 tons. It would like the opportunity to supply more.

A proportional increase in British Honduras quota would be minute in comparison to the total amount of sugar this committee is being called upon to allocate among the various foreign nations. But, as in the case of Panama, a little could do an enormous amount of good for one of our very small and struggling neighbors.

We hope this committee will favor this groping little country by awarding it an equitable share of our sugar market.

CONCLUSION

For 28 years, the U.S. sugar program was so successful that it was worthy of the highest praise attributable to a regulated agricultural program—the public never knew it existed. But in 1962 a model law was harmfully altered. I fervently hope that this committee will return to the wise and realistic approach it consistently espoused prior to 1962, so that an effective and equitable program will once more become the law of the land.

(The four supplemental statements filed by Mr. Quinn follow:)

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF BRITISH WEST INDIES SUPPLEMENTING THE STATEMENT OF ARTHUR L. QUINN, SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, IN HEARINGS ON AMENDMENTS TO THE SUGAR ACT OF 1948

The British West Indies Sugar Association represents the sugar industries of Antigua, Barbados, British Guiana, Jamaica, St. Kitts, and Trinidad-Tobago.

Jamaica is formerly a British colony which attained its complete independence St. Kitts are British colonial islands in the Leeward and Windward chains in the Caribbean, and British Guiana is a British dependency on the north coast of South America. I would like to briefly acquaint the committee with each of these entities.

JAMAICA

Jamaica is formerly a British colony which attained its complete independence on August 6, 1962. It is now a member of the British Commonwealth of Nations. It is a member state of the United Nations Organization and various other world bodies and will most probably soon become a member of the Organization of American States. Jamaica was discovered by Columbus in May 1494 and was originally occupied by the Spanish. The English captured the island in 1655 and colonization proceeded slowly. Sugar soon became the staple crop of the economy.

Jamaica is situated in the Caribbean Sea south of the eastern extremity of Cuba. It is 146 miles long and between 51 and 22 miles wide, and 4,411 square miles in area. Topographically it separates into the coastal plains around the island divided by the Blue Mountain Range in the east, and the hills and plateau

of limestone which occupy the central and western areas of the interior. The island has a tropical climate which is modified and made equable by the presence of the sea, warm trade winds, and regular land and sea breezes. It has a conglomerate population of approximately 1,750,000 people which lives in congeniality.

Although industry has rapidly developed and now actually contributes more to the gross domestic product than does agriculture, the latter is likely to remain the basis of the island's economy for many years as it offers the greatest potential to offset the unfavorable balance of trade. The extraction of bauxite ore is the largest item of export and contributes more to the national economy than does any other industry. Agriculture continues to employ more individuals than does any other phase of the economy and the principal products raised are sugar, bananas, citrus, cocoa, coconuts, coffee, and various other tropical products and vegetables. The sugar industry is the largest employer on the island. Sugarcane is grown on both small farms and estates, and production on farms is greater than that on the larger estates. This is the island's most important crop from the point of view of revenue and employment and after bauxite and alumina, is the most valuable export commodity. There are 18 factories and 1 refinery handling the island's production of cane. The refinery byproducts, rum and molasses, also play an important part in the economy of the island, figuring in the export lists and earning a fair amount of currency. Molasses is also being used to an increasing extent by the local livestock industry. The principal sugar markets are the United Kingdom, the United States, and Canada.

TRINIDAD-TOBAGO

Trinidad-Tobago is also a former British colony and became a member of the Commonwealth of Nations following the attainment of its independence on August 31, 1962. It is a member of the United Nations and is represented on its principal agencies. Like Jamaica, Trinidad was discovered in 1498 by Christopher Columbus, who took possession of the island on behalf of the crown of Spain. The British took possession of the island in 1797. The island of Tobago, which lies 21 miles northeast of Trinidad, changed hands several times before coming under the British Crown in 1814. Since 1888 it has been linked with Trinidad and now the two islands form a single nation.

Trinidad is the most southerly of the West Indian Islands. It lies immediately above Venezuela in the Caribbean Sea. Tobago lies to the northeast of Trinidad. The land area of Trinidad is 1,864 square miles. Tobago is 116 square miles, giving a combined total of 1,980 square miles. The average length of Trinidad is 50 miles, width 37 miles; comparative figures for Tobago are 26 and 7½ miles. The population is approximately 900,000 people.

Trinidad is rectangular in shape with a horn or peninsula projecting from each corner, those at the northwest and southwest extending toward the mainland of South America. Three mountain ranges traverse the island east to west. Its west coast is lowland, rising gradually toward the interior with fertile hills, plains, and valleys.

Tobago is mountainous in the center and northeast and undulating and flat in the south and west. The highest peak is 2,100 feet. Deep fertile valleys run down from either side of the main ridge. The tropical heat in Trinidad is tempered by prevailing winds and certain geographical factors. Both islands are practically free of storms and are at their best in the late North American winter and early spring. At that season they are regarded as health resorts and yearly are becoming more and more popular with visitors from cooler countries.

The largest dollar earner for Trinidad is petroleum. Chief agricultural commodities are sugar, cocoa, coconuts, coffee, root crops, and livestock. Sugar is one of the island's most important crops and is grown on the west coast. It has always played a major part in the economy. Cultivation covers some 95,000 acres of which 53,000 are on estates owned and operated by the sugar companies, the remainder on some 12,000 small farms. The territory's mineral wealth lies chiefly in its petroleum deposits and its natural asphalt lake. No sugarcane is grown in Tobago.

BARBADOS

Barbados is the most easterly of the West Indian Islands and has been a British colony since its discovery in the early part of the 17th century. It is a green tropical island with a varied and attractive coastline, hidden caves and sandy beaches, backed by vivid green sugar plantations and soft undulating hills.

It lies some 300 miles north of the coast of South America. It is a fairly small island somewhat pear shaped and only 21 miles long by 14 miles at its widest point near the south, with a total land area of 166 square miles. Its highest point is 1,105 feet near the center of the island. Lying well out in the Atlantic it enjoys one of the healthiest and most invigorating climates in the West Indies. It has a varied population of approximately 250,000 people, including Negroes, whites, and mixed peoples.

The government is that of a British Crown Colony. Internal self-government was achieved in 1961 and it is projected that Barbados will be the capital of a new nation consisting of a group of West Indian Islands.

The island has a total land area of 106,240 acres with some 68,500 acres of arable land. The land is for the most part intensively cultivated and sugarcane accounts for some 60,000 acres alone. On the sugarcane lands, however, some 15 percent or about 9,000 acres, produce food crops as a rotation. Sugarcane, which now provides both the basis for the economy and the main source of employment, has been cultivated since about 1640. This highly intensive crop provides more work per acre than any other, can be economically grown and maintains soil fertility. Roughly a quarter of the production is in small landholdings and the remainder on large estates. The small landholdings are about 30,000 in number, with an average size of a third of an acre each and are cultivated by part-time farmers who sometimes work as laborers on the estates or in the sugar factories for a part of the year. The estates, which comprise some 240 plantations of over 10 acres each, are mainly under private ownership of families who settled in Barbados in the 17th and 18th centuries. Other crops are cotton, vegetables, fruits, and livestock.

BRITISH GUIANA

British Guiana, the largest member in land area of the British West Indies Sugar Association, is situated on the northern coast of South America, lying between Venezuela on the west and Dutch Guiana (Surinam) to the east. It is a British colony with full internal self-government and stands on the threshold of independence. It is the only British colony in South America. It will emerge as a nation under the name of "Guyana." The country was first discovered by the Spanish and finally became a British possession in 1831. It is a green, subtropical country nearly as large as Great Britain, roughly rectangular in shape penetrating some 400 miles southward to Brazil from the Atlantic seaboard. The coastline extends eastward for 270 miles from the Venezuelan border.

The country's land mass is over 83,000 square miles, but the majority of its approximately 630,000 people live and work on only 4 percent of its surface. The population is racially heterogeneous and the country is popularly known as the Land of Six Peoples, with the principal races being Negro, East Indian, Portuguese, Chinese, and European, as well as the remnants of Amerindian tribes which live mainly in the forests and savannahs.

The economy is narrowly based so that it is dependent to a very great extent on only a few products such as sugar, bauxite, and the cultivation of rice.

It is usual to regard the country as having three geographical zones which may be designated as the coastal strip, the middle belt, and the highland region. Each has distinctive characteristics. The coastal zone is a densely populated and intensively cultivated ribbon of land running along most of the coastline and for a short distance along the banks of the principal rivers. Cultivation rarely extends beyond 10 miles inland. South of the Coastal Plain the land rises to a gently undulating area of scrub plain and forest. This is an area which is currently undergoing considerable mineral exploitation, particularly, bauxite, gold, diamonds, and manganese. The highland region is a region of high mountains beyond which lies a great area of savannah.

In terms of value of production, number of wage earners employed, and of general influence sugar is the most important industry in the country. Traditionally it is the industry upon which the country has always depended. The bulk of the cane is grown on plantations owned by two large companies, which also operate the processing factories, but there are a number of small farmers. Sugar and sugar preparations account for approximately 40 percent of the country's exports.

ANTIGUA

Antigua is located in the Leeward Island Chain and for ministerial purposes has dependencies of the islands of Barbuda and Redonda. The three together are considered a single British colony. Antigua, as is true of many of the other areas of the West Indies, was discovered by Christopher Columbus in 1493. It came into British hands in 1632.

These are small islands, all three having a total land area of only 170 square miles. Antigua is a most pleasant island with deeply indented shores lined by reefs and shoals with many natural harbors. The extreme heat and humidity normally encountered in tropical regions are tempered by the almost continual sea breezes and limited rainfall making "dry and sunny," perhaps the best overall description of the island's climate.

Basically, the population of approximately 65,000 is of African descent. The economy is based primarily in two agricultural crops, sugar and cotton. Sugarcane is grown on some 12,000 acres at present. Harvesting is very much dependent on rainfall and availability of labor (some of the required force must be brought from nearby islands). The island has one sugar factory.

ST. KITTS

The island of St. Christopher in the Leeward Chain (more commonly known as St. Kitts) was discovered and so named by Christopher Columbus in 1493. With the adjacent islands of Nevis and Anguilla it constitutes a single British colony bearing the name of all three islands.

It was the first of the British West Indian Islands to be settled and became a British possession in 1783.

St. Kitts has a total area of 65 square miles. Its central area is mountainous and forest clad. The lower slopes of the mountains are cultivated almost entirely in sugarcane. Although the climate is hot it is a remarkably healthy one with extremes tempered by ocean winds. The population is approximately 50,000 people.

The principal industry of St. Kitts is the raising of sugarcane, which is grown on approximately 15,000 acres.

THE BRITISH WEST INDIES SUGAR ASSOCIATION

The areas whose sugar industries comprise the British West Indies Sugar Association, extend in an arc of islands from Jamaica in the north down to Trinidad in the south and on to the territory of British Guiana on the continent of South America. It can thus be seen that the British West Indies and British Guiana comprise a strategic chain of friendly territories in the Caribbean, an area that becomes more vital to the United States every day. Recognizing this importance the United States recently renegotiated the "bases agreement" made between the British and United States Governments during World War II to provide military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961 the United States dealt directly with the respective territories and the agreement was extended for a 17-year period.

All six of these countries enjoy a fully democratic form of government, with universal adult suffrage and governments wholly elected by the people in free elections. Government policy is in the hands of "cabinets," formed from the elected members of the majority political party in power in the respective parliaments.

As has been noted, Jamaica and Trinidad-Tobago are independent nations. It is anticipated that the other countries also will shortly become fully independent either as individual units, as in the case of British Guiana, or in combination, in the case of Antigua, Barbados, and St. Kitts.

All of these areas have much in common and much to be proud of by way of achievement and progress. They all have multiracial societies which have enviable records in the field of race relations. They have been repeatedly congratulated by world leaders on the harmonious blending of several races into a single people.

Industrial relations are especially advanced in comparison to other developing countries. Labor is highly organized and the trade union system has been functioning for two decades. The normal processes of wage agreements, conciliation, arbitration, and the like are a familiar pattern. The trade unions of the area are federated in the Caribbean Congress of Labor and are fully informed of

developments and conditions throughout the area and the world in general. The West Indies can uniquely claim to have reached the stage of full consultation and negotiation in industrial relations along the lines of the modern patterns of the free world.

The sugar industry of the West Indies is proud of the fact that labor shares virtually automatically in any increased revenues that accrue to that industry. In all the territories of the area a levy is imposed on sugar for the welfare of the workers in the industry, including provision for housing schemes, pensions, medical services, community centers, and playing fields. These expenditures cost millions of dollars annually.

In the West Indies agriculture is the major employer and sugar provides the firm structure on which diversified economies can be built. No less than 18 per cent of the labor force in these territories is directly employed in the sugar industry.

In some developing areas of the world, particularly Latin America, a criticism that is often heard is that the more prosperous elements of society make no effort to aid the poorer classes. The tax systems ring with inequity. This certainly cannot be said of the West Indies where taxation on personal and company incomes is levied at high rates and taxes are collected. As far as the sugar industry is concerned a direct levy on export sugar is made in all territories—for stabilization of the industry, rehabilitation and improvements in field and factory, and, most importantly, for the welfare of workers. The sugar industry also makes a considerable contribution to local treasuries through excise duties.

IMPORTANCE OF THE SUGAR INDUSTRY

It can already be seen that the sugar industry is of vital importance to the areas of the British West Indies but let us now be more specific as to just how major a role the industry really plays in their economies. It may be accurately stated that sugar has been the economic mainstay for centuries. In some of the territories it represents virtually the whole source of revenue and production capacity, while in others it is a considerable part of the national income. The sugar industry provides the means of livelihood and sustenance for about one-quarter of the total population of the area, and the reasons for this dependence upon sugar are sound. Unlike Cuba, Mexico, Brazil, etc., the area of cultivatable land is scarce relative to population. The West Indies must grow sugar because it is the only crop that can be so profitably grown in small tropical areas.

In terms of employment the following chart vividly portrays the part sugar has in providing work in the West Indies:

	Directly employed by sugar companies	Employed by cane farmers (excluding self-employed)	Total	Estimated total labor force	Percentage (3) of (4)
	(1)	(2)	(3)	(4)	(5)
Antigua.....	2,500	1,200	3,700	25,000	14.8
Barbados.....	21,000	-----	21,000	109,000	19.3
British Guiana.....	19,000	-----	19,000	232,000	8.2
Jamaica.....	28,500	50,000	78,000	650,000	12.1
St. Kitts.....	6,000	-----	6,000	10,000	60.0
Trinidad.....	19,000	33,000	52,000	278,000	18.7
Total.....	96,000	84,200	180,200	1,304,000	13.8

Current annual wages as paid by sugar companies, estates and factories are as follows:

	<i>U.S. dollars per annum</i>
Antigua.....	1,144,200
Barbados.....	15,300,000
Br. Guiana.....	16,563,857
Jamaica.....	14,803,886
St. Kitts.....	2,414,864
Trinidad.....	12,750,798
Total.....	62,977,605

(In the case of Jamaica, the figure is for nonstaff workers only.)

As a further note on wages it should be emphasized that the great majority of sugar workers are paid at higher rates than the minimum required by law. Bonus payments are made to sugar workers in all territories. Sales of sugar to the United States in the past few years, and the increased price of world market sugar, improved the revenues of sugar companies. These additional revenues were divided between the workers and employers, by agreement with the trade unions, and paid out as additional bonuses. It can be seen therefore, that everyone benefits from sales to the United States—down to the lowest paid employee.

The value of sugar and sugar products in relation to national income and total exports is indicated by these two charts :

National income

	Total value of sugar, rum and molasses produced (U.S. dollars per annum)	Total gross domestic	Percentage (1) of (2)	Per capita national income (U.S. dollars)
	(1)	(2)	(3)	(4)
Antigua.....	3,424,200	13,500,000	24	225
Barbados.....	31,380,000	76,560,000	41	324
Br. Guiana.....	42,600,000	150,000,000	28	205
Jamaica.....	55,056,462	707,000,000	8	384
St. Kitts.....	5,459,795	13,693,380	40	159
Trinidad.....	37,819,800	597,600,000	6	510
Total.....	175,740,257	1,558,353,380	11	-----

Exports

	Total value of exports of sugar, rum, and molasses	Total value of all visible exports	Percentage (1) of (2)
	(1)	(2)	(3)
Antigua.....	3,270,000	3,540,000	92
Barbados.....	29,616,000	42,000,000	71
British Guiana.....	40,800,000	¹ 94,800,000	43
Jamaica.....	46,046,972	² 248,360,000	19
St. Kitts.....	4,620,000	4,800,000	96
Trinidad.....	28,229,654	³ 356,360,000	8
Total.....	152,582,626	749,860,086	20

¹ Includes bauxite to the value of US\$17,700,000.

² Includes bauxite and alumina to the value of US\$79,606,000.

³ Include petroleum products to the value of US\$175,560,000.

It is essential to stress the importance of the sugar industry to the small farmer, as opposed to the large companies that operate large estates, for the well-being of these farmers is vital to the stability of their countries. These are the people who supply vast quantities of cane to the factories for processing. This table below shows the number of independent cane farmers by territory and the annual payments made for cane supplied to factories.

	Number of cane farmers and small holders	Payment for cane (In U.S. dollars)
Antigua.....	3,000	2,106,600
Barbados.....	16,000	21,900,000
Br. Guiana.....	2,464	367,118
Jamaica.....	24,148	22,956,839
St. Kitts.....		3,285,271
Trinidad.....	11,000	4,946,917
Total.....	56,612	55,562,745

Production of sugar in the West Indies is currently over 1,350,000 long tons. It has increased considerably in recent years. The British West Indies Sugar Association ships approximately 900,000 long tons to Great Britain and Canada each year. With total local consumption of approximately 140,000 long tons the West Indies and British Guiana can make available at least 300,000 long tons to the United States market.

In 1962 the British West Indies was accorded a basic quota position of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows:

	<i>Short tons</i>		<i>Short tons</i>
1961.....	265,845	1964.....	142,228
1962.....	181,661	1965.....	¹ 140,935
1963.....	141,356		

¹ Authorized thus far.

These figures indicate average shipments during the period 1961 through 1964 to be 182,772 short tons. This is indeed a creditable performance record and it is our hope that the British West Indies will be given the opportunity to improve upon it.

The member countries of the British West Indies Sugar Association are still very much in the underdeveloped category. Definite efforts are being made to diversify their economies but for quite some time in the future they will have to rely greatly upon the production or extraction of basic commodities. It does these countries no good to produce unless they can sell their products abroad in stable markets for adequate prices.

We have attempted to emphasize just how important sugar is to the British West Indies. It is a basic commodity of paramount importance to these countries. We hope this committee will continue to favor these areas by making available to them an ever-expanding market for their sugar, and permitting them to continue to prove they are a dependable proximate source of supply.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF ECUADOR, SUPPLEMENTING THE STATEMENT OF ARTHUR L. QUINN SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, IN HEARINGS ON AMENDMENTS TO THE SUGAR ACT OF 1948

Ecuador is the second smallest of the South American republics. It is the most densely populated country on the continent (4,500,000). It lies on the west coast of South America and, as its name implies, is crossed by the equator. By far the greatest part of its territory, including Quito, the capital, stretches south from the equatorial line. It has an approximate land area of 111,168 square miles, that is, about the area occupied by Italy. To the north, the country is bordered by Colombia, to the east and south by Peru, to the west by the Pacific Ocean.

There are four clearly defined geographical regions: the coast; the Andean Mountains and Valleys; the eastern slopes and jungle stretching toward the interior of the continent; and the Gallapagos Islands, in the Pacific Ocean. The coastal area known as La Costa, which covers a little over a quarter of the country's surface, provides nearly all of the country's export products (95 percent), both agricultural and mineral. These are principally, bananas, cocoa, rice, coffee, sugar, toquilla palm, which is used in hand woven strawhats, and petroleum; 95 percent of the country's exports are of agricultural origin.

The Ecuadoran sugar industry is an example of the success of private enterprise in the responsible performance of its obligations to its own domestic market and a national economy as a whole. During the first half of this century, Ecuador, with its low standard of living and low production level, in a routine traditional way, had been satisfying the nation's sugar needs. However, in the wake of the world economic crisis of 1929-33, aggravated in Ecuador by the collapse of cocoa exportation, on whose monoculture the economy had previously depended, great deficits in sugar requirements emerged, as a result of which, the country had to import sugar for many years, a fact which worsened the general economic situation.

At the end of the Second World War, like the rest of the countries in Latin America, Ecuador entered into a period of recuperation and economic development. But it was not until the beginning of 1950 that the sugar industry began to advance with rapid strides. During the decade of 1950-59, the administrators of the sugar industry concentrated their efforts on the obstacles that had been impeding its development and managed to overcome them by reequipping the sugar mills and completely renovating the methods of cultivation and cutting of sugarcane. The result was decisive. The increase during the first 4 years was barely noticeable, but unquestionable. With an annual rate of growth of 2.2 percent production increased by 7 percent. In 1955 there was a jump of 36.2 percent, an increase that assured further expansion, which, by 1959, reached 106,921 short tons total production. By the end of the decade, a final computation of production growth showed that it had been more than doubled with a total increase of 109 percent. By 1964 total production of the two principal mills, which account for approximately 92 percent of national production, was 190,000 short tons.

The annual rate of increase in the population of Ecuador is approximately 2.7 percent which means it has one of the highest growth rates in the Western Hemisphere. Up to 1950 the sugar industry was not able to satisfy local consumption within the country. The deficiency was made up by importation of sugar and use of a lower form known as *panela* (made from a noncentrifugal process). The per capita consumption in 1950 was calculated to be 15.1 kilograms per person. As low as this appears, still it was an increase over the previous amount of 9.4 kilograms per person for the period of 1930-34. With the growth of the sugar industry, the consumption per capita was able to increase to 15.24 kilograms by 1955, to 15.4 kilograms by 1959, and to 20.11 kilograms by 1964.

The expansion efforts of the Ecuadoran sugar industry have been of great benefit to the general economic growth of the country and have contributed substantially to improving the Nation's standard of living. At present the industry ranks fourth on commodity production, and sugar is the fourth largest item of export.

In 1951 there were 113,665 acres of land planted in sugarcane, or 6 percent of the producing land of Ecuador. Of this, 36,595 acres, or 32 percent were used for the industrial production of sugar, 46 percent for *panela*, and 22 percent for another lower form of sugar known as *aguardiente*. In 1959, the area dedicated to the sugar industry had increased very little, while the area used for the other two products (*panela* and *aguardiente*) registered a greater increase. In 1964 the total amount of acreage devoted to sugarcane for industrial production was 46,570 acres.

The sugar industry has two modern mills, San Carlos, owned by Sociedad Agricola y Industrial, which grinds 6,000 tons of cane per day, and Valdez, owned by Compania Azucarera Valdez whose capacity is 5,250 tons. Both are well equipped, efficient factories with high yields.

The two main producer-processors have been able to greatly expand production without substantially increasing the amount of acreage planted, and also they have constantly increased the number of persons employed in the industry. In the years of great expansion, 1960-64, the number of workers increased from about 11,000 to over 17,000. Approximately 70,000 people benefit directly from the industry.

Substantial investments, thanks to credit opportunities both from within and without the country, were made in order to effect orderly expansion of the industry. In addition to modernization of mills, great sums were expended on increased mechanization and cultivation and harvesting, variation and classification of cane varieties, irrigation, and intensive use of fertilizers.

The two principal mills are situated near the city of Guayaquil, the main seaport of the nation and the largest center of population and consumption. The industry has a network of rail, river, and road communications which facilitates transportation.

Ecuadoran sugar workers are among the best treated employees in the nation. They earn more than twice what is earned by the average worker in Ecuador. Sugar workers are unionized and represented by "Comites de Empresa" (enterprise committees). These committees represent at least 50 percent of the workers and they conduct all collective bargaining negotiations with the sugar companies. They are controlled and directed by Federal laws.

Among the many benefits enjoyed by employees of the two principal mills are:

1. 15 days of vacation per year.
2. 60 half-days paid allowance for sickness.
3. 50 percent of salary paid in the event of accidents suffered at work, such benefit lasting for up to 1 year of disability.
4. Free hospitalization, medicine and medical services.
5. Gratuitous payment of 1 month's salary per year.
6. Participation in 10 percent of the company profits each year.
7. Retirement benefits after 25 years of continuous work for one company.
8. Retirement benefits under a system of social security at age 65 with 30 years of participation in the program. Under this system a worker may also retire at age 55 without having the required 30 years membership and also receive a scaled-down rate of benefits.
9. A "Semana Integral" which is equivalent to a day and a half's free salary per week. A worker is also paid additional amounts if he works Saturday afternoons and Sundays with 100-percent surcharge on his salary.
10. Groceries and other provisions sold to workers at cost through modern factory supermarkets.
11. Free schools for workers' children.
12. Free movies for workers and their families.
13. Certain gratuitous death benefits.
14. Unemployment protection provided by means of a social security system.
15. Credit facilities available for building loans, on 20- and 30-year terms through the social security system.

All in all the fringe benefits paid to sugar workers signify about 6.47 percent of the total cost or production, including marketing costs in bringing the finished product to the consumer.

The sugar industry of Ecuador is a completely national industry from every respect including capital invested, direction and administration, employees and raw materials used.

Ecuador, as an underdeveloped nation with a limited number of commodities which can be economically produced, must trade to survive and the items it has to offer for trade are few. As has been previously stated, Ecuador used to have a monoculture which was wholly dependent on cocoa. The sugar industry, recognizing the need for diversification within the economy, and particularly within the area of agricultural production, raised its production by means of modernization of facilities in both field and mill. By so doing the industry not only was able to satisfy national consumer needs but also produce a sufficient surplus to make available a badly needed additional crop for export.

It was in 1961, following the cessation of importation by the United States of Cuban sugar, that Ecuador first shipped sugar to the United States. In that year the nation delivered a total of 36,010 tons. In 1962, the Ecuadoran sugar industry sought and was granted a basic quota position in the U.S. sugar market. By the amendments passed that year to the Sugar Act of 1948, Ecuador was awarded a basic quota of approximately 25,000 tons (when the consumption estimate of the United States was set at 9,700,000 tons). Following is a record of Ecuadoran sugar shipments to the United States:

Year	Basic quota	Charged to basic quota	Global quota	Deficit allocation	Total deliveries	U.S. consumption estimates
1961	36,010				36,010	10,000,000
1962	10,011	10,011	40,068	16,782	66,861	10,000,000
1963	28,048	27,048	28,156	2,793	57,997	10,400,000
1964	25,200	25,200	32,906		58,106	9,800,000
1965	57,114	(¹)				9,200,000

¹Authorized.

As can be seen from the above chart, although Ecuador was awarded only the basic quota of approximately 25,000 tons, it has been able to consistently supply to the United States more than twice that amount of sugar, since the passage of the 1962 amendments. As you know, it was during these years that the United States put forth urgent calls to all supplying nations to ship sugar over and above basic quota allocations. Ecuador responded to these pleas in an extremely admirable fashion. It did so despite the fact that it could have sold considerable quantities of sugar on the world market and received greater profit.

On the basis of its past performance, its proven dependability and loyalty to the U.S. market, the sugar industry of Ecuador feels justified in requesting of Congress a substantial increase in the basic quota allocation of 25,000 tons, made under the 1962 amendments to the Sugar Act. The exact amount of the increase we leave to the sound discretion of this committee. But Ecuador is in a position to offer upward of 90 million tons, to this market. Whatever the quota, the United States would be assured of a certain source of supply for this amount of sugar each year, and even greater quantities, should this country need it—and all of this sugar is within 10 or 12 days shipping time to U.S. ports. As a matter of fact, the sugar industry of Ecuador, to assure that it will always have an abundant supply for the U.S. market, will reserve a quantity of sugar equal to 50 percent of its basic quota, which amount will not be sold in other markets until released by the United States. New bulk storage facilities are being constructed in Ecuador and if it is the desire of the United States that such a reserve be held, whatever space is necessary to fulfill this commitment will be appropriate to it.

It is a privilege to have presented this statement to this distinguished committee and we respectfully submit it for your study and consideration.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF PANAMA SUPPLEMENTING THE STATEMENT OF ARTHUR L. QUINN SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, IN HEARINGS ON AMENDMENTS TO THE SUGAR ACT OF 1948

The Republic of Panama forms an isthmus that connects the gigantic landmass of South America with Central and North America. It is bounded on the north by Costa Rica and the Caribbean Sea and on the south by Colombia and the Pacific Ocean. Lying only 9° above the Equator and being bisected by the Panama Canal it has become the crossroad of world trade and is the geographic center of the Western Hemisphere. It is a mountainous country with two ranges which together traverse its entire length. The mountains enclose many fertile, well-drained valleys and plains. In the eastern part of the country there are great expanses of intense tropical jungle.

The Nation is 480 miles in length and from 37 to 110 miles in width. It has a landmass of 28,576 square miles, which by way of comparison makes it approximately one-half the size of Florida. Approximately 65 percent of Panama's total population live in rural areas. Although the soil is very fertile and the rainfall and other climatic conditions are favorable for growing a large variety of tropical fruits and vegetables, only a fraction of the rich interior plains and valleys has been brought into cultivation. It has been said that the Panama Canal, which traverses the heart of the country, is the primary reason for the neglect of Panama's rural areas. Analysts of the economic conditions of the Nation have found that much of the labor force, instead of being employed in more productive areas, is concentrated in the terminal cities, the economies of which are closely linked to the Canal Zone. Other students of the subject have attributed the neglect of the rural areas to various other factors, such as lack of adequate farming and transportation facilities, large scale land speculation, and an inefficient land tenure system.

The leading industries of Panama are agriculture, forestry, fishing, mining, and to a small extent light industry. In the area of agriculture the principal activities are livestock raising and the growing of bananas, coffee, cocoa, sugar, rice, maize, and tobacco. The forestry and mineral industries are conducted on a rather small scale but there is great untapped potential for both. The fishing industry consists of several major companies which export the bulk of their catches to the United States, the most important item being shrimp.

Towering over Panama's past and future is the Panama Canal which lies within the Canal Zone, the U.S. Government reservation. It occupies 375 square miles of land and 275.52 square miles of inland and tideland waters. The Canal Zone occupies a relatively small area in the nation of Panama. Its total land area is slightly over 1 percent of Panama, and the zone's population of approximately 47,500 usually runs about 4 percent of that of Panama's, whose population in 1964 was estimated to be approximately 1,250,000 people. The canal is an omnipresent component of Panamanian national life, and has always been the focal point for internal politics.

The strategic importance of the Panama Canal, particularly to the United States and also to this hemisphere, has often been proved. During World War II, 5,300 combat vessels transited the canal and 8,500 other ships carried troops or military cargoes through it. This was an implied saving in much time and money for allied nations. A similar phenomenon occurred in 1953 during the Korean war. Over 1,000 U.S. Government vessels used the Panamanian waterway to carry supplies to the U.N. forces in the Far East. And now, once again, in the ever-widening war in Vietnam, the strategic importance of the canal is being reemphasized. Already, crack fighting units and the materials to supply them are passing through this vital waterway bound for the conflict.

The strength of the United States, which rests in large measure upon our Nation's economic well-being, depends in turn upon the availability of raw materials for its ever-growing industry. It has been said that the closing of the Suez Canal in 1956 demonstrated the need to keep the Panama Canal in effective operation, if serious destruction of the economies and defense capabilities of many of the free nations of the world are to be avoided. In 1962 approximately 22,189,000 long tons of U.S. exports and 17,669,000 tons of U.S. imports, and 5,620,000 tons of cargoes moving in the U.S. intercoastal trade passed through the Panama Canal. The canal permits a substantial saving for the United States in both intercoastal and foreign trade. By reducing transportation costs, it benefits the American consumer.

That the United States needs the Panama Canal has been aptly demonstrated by the fact that it is currently exploring the possible construction of an additional canal, the site of which will probably also be in Panama. Because the United States relies so heavily upon the existence of the canal. It must of necessity be continually and vitally concerned with the economic stability of the nation of Panama. For years income from the lease of the canal has largely supported the national economy. One-third of all Panamanian revenue derives from the zone, through wages paid employees and expenditures by and on behalf of temporary U.S. personnel assigned to this zone and maintenance of canal facilities.

Undoubtedly a strong motivating factor in the recent decision of President Johnson to give control of the Canal Zone to Panama was concern for the economic well-being of the country. The eventual effect of bringing the zone within the Republic of Panama will be extremely beneficial to the nation.

With such emphasis upon the zone, important sectors of the economy have been neglected, but in recent years steps have been taken to diversify the economy and reduce the tremendous gap that Panama perpetually suffers in its ratio of imports to exports. In 1964, for example, Panama had total imports from all sources of \$169.1 million, an increase of about 3 percent over 1963, while exports were \$59.1 million, an increase of 22 percent over 1963. The biggest beneficiary of the Panamanian necessity for importation has always been the United States. In 1963 direct imports from the United States to Panama amounted to \$74 million, as compared with \$66.7 million in 1962. This represents approximately 45 percent of all total foreign procurement for a country. The 1964 figures show imports from the United States amounted to \$109,835,775, while exports to this country amounted to only \$40,147,690—a great deficit in our favor.

As has been noted before, only a fraction of the fertile lands that could be devoted to agricultural production have been put under cultivation. But in recent years concerted efforts have been made to increase the production of basic commodities. The Government is conducting programs for the purchasing of crops at fixed prices, lending agricultural equipment to farmers, and advancing money to encourage the setting up of new agricultural enterprises, as well as the development of existing ones. The Ministry of Agriculture, Commerce, and Industries is coordinating plans for the Economic Development Institute and the Agrarian Reform Commission. These agencies have concentrated on planning, increasing, diversifying, and rationalizing agriculture and thus far have been achieving good success.

In the same vein it should be noted that there is considerable interest in Panama's participation in the Central American common market. The present Government is said to believe that Panama has no choice but to associate itself with the common market to obtain access to a market of 15 to 16 million people. President Robles has recently announced the creation of a Foreign Trade Advisory Department which will deal principally with matters pertaining to the Central American common market.

The U.S. Agency for International Development has instituted various programs in cooperation with the several agencies of the Panamanian Government. It has recently approved a \$2.5 million loan to the Panamanian Government to foster agricultural development. Also there have been recently expanded loan programs in this sector by two local private U.S. banks. In its capacity of a principal participant in activities of agencies of the United Nations and the various multinational financial institutions the United States has also done much to foster the economy of Panama.

However, it should be quickly noted that while the United States is attempting to stimulate the growth of the Panamanian economy, it does not mean that our exports will be deprived of sales opportunities while the dollar gap is being closed. On the contrary, recent Department of Commerce reports indicate considerable opportunity exists in various sales areas, particularly agricultural and related equipment.

Any discussion of the expansion of agriculture in Panama must include special reference to the sugar industry. Sugar is the fifth ranking industry in Panama and ranks fourth among agricultural commodities. Sugar is grown in eight of Panama's provinces with heaviest production being centered in Cocolé, Varaguas, and Herrera. Sugarcane is grown on a total of approximately 23,500 acres, which includes the plantations of the 2 principal companies and the farms of over 2,100 independent growers.

The manufacturing of raw sugar in Panama began in 1914 and has steadily developed in scope and in importance. There are today two commercial mills, Azucarera Nacional, S.A. and Compania Azucarera La Estrella, S.A., which manufacture raw sugar from cane grown on their own plantations, and on the farms of the independent growers. The investment in the sugar industry is one of the largest in the nation representing approximately \$20 million. Almost all equipment and machinery used in Panamanian sugar production is manufactured in the United States.

The two mills have a combined daily grinding capacity of 6,000 tons of sugar cane. This will be increased to approximately 10,000 tons per day by 1970. Raw and refined sugar is produced as well as alcohol, molasses, and other products. The companies have always enjoyed good relations with the Government, local consumers, and the public in general. The high quality of the refined sugar produced is recognized by domestic consumers as well as foreign users.

The prominent and respected families of Chiari and Delvalle-Penso have cautiously guided the sugar industry on a course of gradual expansion. Now, with Government urging, it is their desire to increase the rate of development in the hope of affording the nation the benefits to be derived from increased sales of this important money crop, through which she can obtain the badly needed foreign exchange which is necessary for continued national growth. The following chart indicates the gradual increase in sugar production.

	<i>Short tons raw value</i>
1955 to 1960 (average)-----	25,000
1961 to 1962-----	40,000
1963 to 1964-----	54,000
1964 to 1965-----	63,000

Approximately 29,000 tons of sugar is currently consumed domestically, leaving over 30,000 tons available for export to the United States.

Exclusive of the independent farmers the sugar industry employs over 3,300 persons and provides support for an estimated 10,000 people. Factory employees are unionized, and labor contracts are negotiated each year. Employees enjoy numerous fringe benefits, holidays, sick leave, vacations, and medical care.

At any given time the two sugar companies can store 20,000 tons of sugar for the American market with existing facilities. New bulk storage warehouses are being constructed to increase storage capacity by an additional 10,000 tons. In the future, Panama can have on hand for shipment to the U.S. market (shipping time 5 to 7 days) 30,000 tons of refined and raw sugar depending upon our needs.

It is an avowed policy of the United States to provide for the developing nations, particularly those in this hemisphere, stable markets for the sale of their basic commodities at fair returns, in order to allow them to obtain dollars needed for sound development. Sugar, proven dollar earner for the nations of this hemisphere, is a logical choice of a commodity that should be selected for expansion in Panama. A valuable source of revenue could be provided for Panama by affording her the opportunity to ship additional quantities of sugar to the United States, over and above the basic quota allocation of approximately 15,000 tons which she was awarded by virtue of the 1962 amendments to the Sugar Act. It is the earnest desire of Panama that she be granted a quota which would place her on a par with the other participants in Central America. The basic quotas awarded to the Central American nations in 1962 were as follows: Nicaragua, 25,000 tons; Costa Rica, 25,000 tons; Guatemala, 20,000 tons; and El Salvador, 10,000 tons.

In summary, on behalf of the sugar industry of the country of Panama, we strongly urge this committee to consider the unique position that Panama enjoys in this hemisphere and in particular its extraordinarily sensitive relationship with the United States. Because of our vital interest in the Panama Canal we must necessarily have a desire for well-being and tranquillity within the nation of Panama. It is imperative, therefore, that the United States assist this nation in its efforts to evolve a viable economy. In order to do this Panama must be permitted to close the vast chasm that has always existed between what she is forced to import and the comparatively small amount that she is able to export. She must be permitted to export commodities and products that she can produce practically and sell for adequate return. Sugar is a perfect choice for such a commodity. In comparison to the amount of sugar that the United States consumes on a yearly basis the award of an additional 10,000 to 15,000 tons of basic quota to Panama is inconsequential, but an increase of this size in her quantity of exportable sugar would be of immeasurable importance and benefit to this small nation.

We respectfully submit this plea and strongly urge the committee to give it favorable consideration,

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF BRITISH HONDURAS SUPPLEMENTING THE STATEMENT OF ARTHUR L. QUINN SUBMITTED TO THE COMMITTEE ON FINANCE, U.S. SENATE, IN HEARINGS ON AMENDMENTS TO THE SUGAR ACT OF 1948

We are pleased to present this statement on behalf of the Corozal Sugar Co., Ltd., of British Honduras. The Corozal Sugar Co. grows substantial quantities sugar in British Honduras and processes all of the sugar cane produced.

British Honduras is officially categorized as a dependent territory of Great Britain, but is rapidly emerging as an independent nation. In 1964, England granted the country internal self-government and, when both Great Britain and the government of British Honduras consider that the country has sufficiently developed, she will then be granted her complete freedom.

Belize, as British Honduras is known throughout Latin America, is a coastal strip some 175 miles long and about 70 miles wide at its broadest point. This small corner of Central America lies on the eastern shore of the Caribbean below the Yucatan Peninsula of Mexico. It has a land area of 8,867 square miles, which is roughly equal to the size of Massachusetts and it is the second smallest political division on the American Continent, being slightly larger than San Salvador, the smallest Latin American state. It is bounded on the north and northwest by Mexico, on the south and west by Guatemala, and on the east by the Caribbean Sea. A barrier of coral reefs and small islands parallels the country at distances up to 30 miles from the shore.

The northern half of British Honduras consists mainly of a low lying coastal plain, which is frequently swampy but contains much fertile and potentially rich agricultural land. The southern half of British Honduras consists to a lesser extent of a coastal plain but also has the Maya Mountain Range with peaks rising to over 3,000 feet. The climate is generally subtropical and is on the whole agreeable to nontropical peoples and the raising of tropical products. The mean annual temperature for the nation is around 80°. Along the coast the heat and humidity are tempered by sea breezes during most of the year.

British Honduras, with a population slightly in excess of 100,000 people, is one of the least populated areas in the world, but with a birth rate of over 3

percent it has one of the highest rates of population increase. Close to half of the population is centered in and around the capital city of Belize. The long and romantic settlement history of British Honduras has produced within the small population a great variety of racial types. Attempts at classification of race are very unsatisfactory due to the great amount of mixing that has been done through the years. Suffice it to say that Negroes, Latin Americans, American Indians, and whites, and all combinations thereof, live in peace and harmony within the country. A variety of language is spoken with English and Spanish predominating.

British Honduras once comprised a major portion of the Mayan Indian empire. Once, over 750,000 Mayans lived in present-day British Honduras. From the 4th century to the conquest of the 16th century their civilization was the most brilliant and advanced in the new world but, about A.D. 900, for still unknown reasons they abandoned their cities in and about British Honduras and migrated elsewhere.

The first Europeans came to British Honduras in 1502 when Columbus sailed along its coast. It became a British colony in 1862 following a very stormy history. Up until 1946 the country was almost forgotten by the British. Hurricane winds in 1931 had almost destroyed Belize and devastated plantations. By the time the country had partially recovered World War II arrived. But, starting in 1946, British Honduras took on a new look and approach. The British Government, through the Colonial Development Co., encouraged expansion by conducting a series of studies on economic development needs. Serious investment and development took place until on October 28, 1961, the fearsome Hurricane Hattie, with winds gusting up to 230 miles per hour, devastated the country and flooded the capital. Reconstruction and development following Hurricane Hattie has been very well organized and steady, but much remains to be done before the country is able to stand on its feet economically.

Self-governing authority is vested in a cabinet consisting of a Premier, the Honorable George C. Price, and his ministers. Foreign affairs and internal security matters remain within the jurisdiction of the British Colonial Governor. Political stability is an outstanding characteristic of the country.

The economy of British Honduras has been traditionally based on forest products, especially tropical woods and chicle, the basis of chewing gum. By any standards it is a poor country and has never been able to support its small population. Food as well as manufactured articles must be imported in great quantity. Neither the people nor the land itself are the primary causes of the poor economic situation. Various circumstances far beyond their control, such as Hurricane Hattie, have greatly influenced its economic position. Mahogany has become harder to find and more expensive to process. Log wood, which served as a source of dyestuffs has been largely replaced by synthetic dyes and artificial gums have largely replaced chicle. Thus far efforts at raising bananas have met with failure due to Panama disease. British Honduras exhibits most of the problems typical in an underdeveloped country except that of the pressure of population. It is afflicted with the common malady of so many developing nations; that is, a considerable gap between her exports and imports. Over the past 10 years imports for British Honduras have more than doubled. Although total exports have increased significantly the country still finds herself plagued with a gross imbalance of trade. The United States is the largest single supplier of imports, having supplied approximately \$10 million worth in 1964, as opposed to taking approximately \$4 million worth of British Honduran exports. The Government is acutely aware of this problem and if the country is ever to balance its economy it must place emphasis on the development of agricultural commodities. As mahogany and other lumber products are fast declining as large export items, sugar and citrus loom as the most important products in the development of the economy.

On paper, the problem does not seem so gargantuan as the trade gap might indicate. The country has plenty of unused fertile land, particularly in the southern portion. The subtropical climate suits many crops. A serious handicap is that much of the very rich soil is being held by private owners for speculation, in the hope of an increase in acreage prices. But the Government still owns many thousand fertile acres which could be successfully put into agricultural production and steps will probably be taken to force absentee landholders to either put their land into production or sell it.

The Government's hardest problem will be to convert, not the land, but the people. There are comparatively few farmers in British Honduras. Of the population of slightly more than 100,000 over one-third of the people are crowded

into the capital city of Belize. There are about 15,000 more people in other towns, leaving the rest of the country sparsely inhabited.

The people adhere rigidly to patterns of traditional prestige. Many of the natives feel that it is beneath their dignity to till the soil. The Government is undertaking a vast educational and psychological effort to change the attitudes of its people. It is earnestly attempting to raise the level of economical activities sufficiently to absorb the unemployed and underemployed labor resources.

The Government of British Honduras has as its main economic concern, however, the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its shrinking economic base. British Honduras has found financial help extremely hard to come by because the only government that can render assistance is Great Britain and it has been unable to make large contributions or loans. Current U.S. policy does not permit this country to make loans because our AID funds are generally not available to dependencies of other nations. It cannot participate in programs of multinational banks because it is not a contributing member. Therefore, at present, British Honduras must look only to private investment to spur its economy.

Definite proof of the effect that substantial private investment can have upon the economy of the nation was evidenced by the purchase in 1964 by the Corozal Sugar Co., Ltd. of the sugar manufacturing industry of British Honduras. Until 1963 there was but a single sugar factory which was located in the northernmost district of the country. No more than 28,000 tons of sugar had ever been produced in British Honduras. In its first year the Corozal Sugar Co., Ltd., increased production by more than 20 percent from the previous year and a total of 38,000 short tons of sugar was produced. More than 20,000 acres of sugarcane will be harvested this year and production is expected to amount to 43,000 tons, with further increases planned in the future.

The government recently negotiated a loan of nearly \$430,000 for the independent cane farmers of the country. The number of independent cane farmers has increased from about 500 in 1962 to the present total of 850 and it is anticipated that ultimately 2,000 cane farmers will participate in supplying at least 50 percent of the sugarcane production in the country.

The construction of a new sugar factory began in March 1965, and it is expected to begin operation in January 1967. Land clearing and planting of the additional cultivation acreage to supply the new factory is progressing and it is hoped that by 1970 between 70,000 and 75,000 acres will be producing. The estimated cost of this expansion is in excess of \$20 million over the next 10 years.

The sugar industry is very strictly controlled by the government principally for the benefit of the private farmer and the national economy in general. There is a "cane cess" which is in the amount of 10 cents per ton of sugar processed, and this amount is paid directly to the Cane Farmers Association by the factory in order to promote the production of privately produced cane.

Wage rates for sugar workers are higher than any other area in the Caribbean. There are minimum wage rates which are 44 cents an hour for factory workers and 36 cents per hour for fieldworkers. Presently there are approximately 1,000 employees in the sugar industry and there will be more than twice that number for the new factory. Workers usually work an 8-hour day, 6 days a week. Canecutters are awarded \$1.75 per ton, usually cut from 6 to 7 tons of cane a day. They share in a profitsharing scheme. There is an incentive bonus based on the company's earnings which is tied to the price of sugar. Workers are also given numerous holidays, fringe benefits, sick leave, and vacations.

In 1962 British Honduras petitioned the Congress for a 30,000-ton U.S. quota. American Factors, the large Hawaiian firm, was prepared to establish a second cane factory in the country if a sizable U.S. market could be assured. Instead, Congress awarded a quota of 10,000 tons and American Factors withdrew its offer. With no expansion of facilities production remained constant at about 28,000 tons. In 1962 British Honduras shipped no sugar to the United States and in 1963 it shipped 1,712 tons. Under the provisions of section 202(D) of the Sugar Act the Department of Agriculture was forced to sanction the country, for failing to fill by more than 10 percent its quota in 1963, and accordingly British Honduras' quota for 1964 was reduced to 974 tons. However, by virtue of additional shipments under the global quota, the country did ship to the United States during 1964 a total of 6,224 tons, and it stood ready to ship an additional 5,000 tons had it been needed. Thus far in 1965 it has been authorized to ship 4,342 tons and stands ready to ship another 10,000 tons. By 1966 British Honduras could ship 20,000 tons to this country and about 50,000 tons in 1967.

The performance of British Honduras in 1962-63 cannot be condoned. However, in all fairness it must be pointed out that it was not until the beginning of 1964 that the Corozal Sugar Co. purchased the sugar producing facilities in British Honduras and embarked upon the program of rapid expansion that will enable the country to increase its production and more than meet its commitments to its markets, particularly the United States. This tiny nation pleads with this committee to give it the opportunity to show how well it can perform now that its sugar industry has been given new life.

The development of the sugar industry has been a tremendous incentive to development of the country in general. By the very fact that such a large investment was announced other large corporations have professed interest in the country. Economic development of this sort would also lead to development of infrastructure which is so badly needed for advancement.

Sugar has fast become the most important industry in the country. In its drive toward independence it can only make economic gains by enlarging its production of basic agricultural commodities. But it does it no good to produce unless it can sell. Considering the total amount of sugar to be distributed by this committee to foreign countries an award of a relatively minute amount to British Honduras could accomplish a world of good for this small and poor neighbor of the United States.

We respectfully submit this petition for your scrupulous consideration.

Senator LONG. Our next witness is Mr. Albert S. Nemir, appearing on behalf of the Brazilian Sugar and Alcohol Institute.

STATEMENT OF ALBERT S. NEMIR, REPRESENTING THE BRAZILIAN SUGAR AND ALCOHOL INSTITUTE

Mr. NEMIR. Mr. Chairman, I am Albert S. Nemir of the firm of A.S. Nemir Associates, and I am accompanied today by Mr. Herbert C. Hathorn. Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government.

We appreciate the opportunity to present our request for a fair participation by Brazil in the foreign quota allocations of sugar to be made under H.R. 11135. This bill, as written, corrects some of the inequities of the administration's bill which was unfair to Brazil, the largest exporter in the Western Hemisphere with the greatest available sugar supplies for export, the greatest reserve stocks for emergency supplies, and the greatest potential for expansion.

IMPROVED POLITICAL AND ECONOMIC CONDITIONS

I am sure the committee members are aware of the great change which occurred in the Brazilian Government as a result of the overthrow of the Goulart regime in April 1964 through a revolution widely supported by the people of Brazil. In the words of the American Ambassador to Brazil, Mr. Lincoln Gordon, this revolution—

may well take its place alongside the initiation of the Marshall plan, the ending of the Berlin blockade, the defeat of communistic aggression in Korea, and the solution of the missile base crisis in Cuba, as one of the critical turning points in mid-20th-century world history.

In 1962 we presented compelling reasons why it would be mutually beneficial to the United States and to Brazil, and wholly in accord with the purposes of the Sugar Act, for Brazil to receive a substantial sugar quota within the U.S. system. Those same reasons apply equally well today, but we respectfully submit that the record of the Government of Brazil under its President, Marshal Humberto Castello Branco, should remove the objections we encountered during our last appearance. The new Government has made rapid and dramatic strides in

the short period since April 1964, both in the internal life of the Brazilians and in world affairs. Internally, steps have been taken to:

1. Institute an austerity program to combat inflation, including withholding tax legislation.
2. Enter into an investment guarantee agreement with the United States to make certain American investors are fully protected in the future should they participate in the development of Brazilian economic resources and productive capacities.
3. Amend Brazilian law to speed up legal remittances abroad of profits, dividends, royalties, and payment for technical services.
4. Expedite settlement of expropriation cases the previous Government had not yet resolved.
5. Institute internal reforms in Government and eliminate corruption.

In the international field:

1. On May 13, 1964, a little more than a month after the revolution, Brazil severed diplomatic relations with Cuba.

2. Brazil responded at once to the request of the OAS to send troops to form part of the peace force in the Dominican Republic. This action was approved on May 19 by the Brazilian Chamber of Deputies by a vote of 190 to 99 with a resolution authorizing dispatch of troops, and on May 20, the Senate followed suit by a vote of 39 to 9. Immediately thereafter more than a thousand troops were sent to the Dominican Republic at a cost to Brazil of \$1 million a month, and it is worth noting that Brazil is the only Latin American country sending more than a token force. At the request of the OAS, Brazil made available Gen. Hugo Panasco Alvim to serve as commander of the OAS forces in the Dominican Republic. Subsequently, Brazil joined the United States and El Salvador in furnishing representatives to serve on the OAS ad hoc peace committee.

3. More recently Brazil promptly complied with a U.N. request and made available 10 officers of its armed services to form part of the U.N. team of observers of the cease-fire between India and Pakistan.

In short, we submit that Brazil is actively demonstrating both at home and to the world her capacity for leadership as a member of the community of nations working together to meet the challenge of today's world. There are overwhelming political reasons to reward Brazil now, whereas the justification is greatly diminished for continuing Cuba's quota at 57.77 percent of permitted foreign imports from countries other than the Philippines. Brazil needs assurances of a substantial permanent quota now.

BRAZIL'S 1965 QUOTA INEQUITABLE

Mr. Chairman, the spot world price of sugar for the past few months has been around 2 cents a pound, and this is less than one-half the cost of producing sugar in any country of the world. Incidentally and parenthetically, it may be observed that the Brazilian Sugar and Alcohol Institute annually compiles cost of production figures. Table IV gives cost data in terms of Brazilian currency for raw sugar in the 1963-64 and 1964-65 crop years. The cost of

transporting sugar from mills to a free on board port stowed condition averages a little over 1 cent per pound which means that raw sugar costs in Brazil in 1964-65 averaged about 5 cents per pound, free on board port.

Currently, Brazil is forced to sell on the world market over three-fourths of her export supplies at these dumping prices. Much of this is the result of the Department of Agriculture's formula for allocations for 1965 which gives double weight to 1964, the year in which U.S. imports were the lowest in over 20 years. We request that consideration be given to adjust this inequity to Brazil. The formula does not follow the foreign quota guidelines established by the Congress in 1962, nor is it in line with the criteria and objectives which have been a part of the Sugar Act for the last 31 years. These objectives are:

1. To regulate commerce among the several States with the territories and possessions of the United States and with foreign countries.

2. To protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry (an adequate and stable supply).

3. To promote the export trade of the United States.

We petition the committee to increase Brazil's quota by applying the criteria established by the Congress.

REASON FOR DISREGARDING 1964 IN ESTABLISHING BRAZIL'S QUOTA

(1) 1963 was the most critical year of U.S. sugar supplies: It is well known to this committee, as well as to housewives, refiners, industrial users, and the entire sugar trade, that 1963 was a more critical year than 1964 in the U.S. supply price problem. It is also well known to this committee that the domestic beet crop in 1963-64 was to be the biggest in history. Therefore, it was an unusual situation when the United States asked for the advance commitment of 1 million tons of the global quota for 1964 as early as December 1963 and January 1964. Furthermore, this was only two-thirds of the total global quota of 1,503,861 tons to be allocated for 1964.

Table III illustrates the relative importance of sugar supplies in the 2 critical years 1963 and 1964, and demonstrates that 1963 was a far more critical year. For example, the table shows the entries and marketings of sugar in 1963 in the continental United States to have been 10,515,000 tons, as compared with 1964 when only 9,109,000 tons were entered and marketed—or a reduction of 1,406,000 tons. Supplies required in 1964 from foreign countries other than the Philippines were reduced from 3,360,000 tons in 1963 to 2,369,000 tons in 1964, a decrease of nearly a million tons. Furthermore, the year 1964 was characterized by depressed prices after the first of the year—so much so that for the first time in the 30-year history of the operation of the Sugar Act the administration resorted to quarterly quotas in order to bring the depressed sugar price in the United States up to the levels of the objective provided in the Sugar Act.

The comparative situations in 1963 and 1964 having thus been described in general terms, it is pertinent here to insert statistical data regarding the performance of foreign sugar suppliers during

the period when world market prices were higher than U.S. prices; that is, from February 1963 to May 1964. The last quarter of 1963 was the most critical in this period when the indicated average loss to a supplier selling in the U.S. market rather than the world market was about \$53 per ton. The following table (with figures in short tons) shows that Brazil supplied the United States with more sugar, at the greatest loss, during this period than any other country.

	Imports October, November, and December 1963	Percent of total ship- ments in 4th quarter	World premium over U.S. price
Brazil.....	227,000	26.8	-----
Dominican Republic.....	94,000	11.1	-----
Mexico.....	29,000	3.4	-----
Peru.....	142,000	16.7	¹ +\$2.18
Australia.....	70,000	8.2	² +3.23
British West Indies.....	17,000	2.0	³ +2.52
Other 23 suppliers.....	269,000	31.8	-----
Total, excluding Philippines.....	848,000	100.0	-----
Philippines.....	223,000	-----	-----
Total, including Philippines.....	1,071,000	-----	-----

¹ October.

² November.

³ December.

Source: USDA Sugar Division, Oct. 8, 1965.

Another important facet of the situation that existed during the entire period of higher world prices is shown by the following table (with figures in short tons) comparing U.S. imports of global sugar from principal quota holders from January 1963 to May 1964:

	Global sugar imported (January to December 1963)	Global sugar imported (January to May 1964)	Total imports (January 1963 to May 1964)	Change in administra- tion's double weight 1964 formula
Brazil.....	282,000	0	282,000	282,000
Dominican Republic.....	198,000	21,000	219,000	240,000
Mexico.....	21,000	208,000	229,000	437,000
Peru.....	208,000	26,000	234,000	260,000
Australia.....	180,000	0	180,000	180,000
British West Indies.....	0	28,000	28,000	56,000

Source: USDA Sugar Division, Oct. 8, 1965.

(2) Abundant supply prospects were indicated late in 1963: It was clear in late 1963 (November–December) that the 1963–64 U.S. continental beet crop and the mainland cane crop would be the largest in history. Similarly, 1963–64 world production of beet sugar which is largely produced in the months of October, November, and December, was also known to be of record proportions. Further, many major sugar-producing countries such as Australia, Mauritius, and Fiji, produced their crops from June to November and were, therefore, in a position in December 1963–January 1964 to commit sugars to the United States based on a harvest just finished—and these crops were at high levels.

Considering that these large increases in production should have been obvious at the time, on questions the justification for the unusual action taken to obtain forward commitments of sugar at this point in time. In fact, sugar marketing specialists could well raise the question that the U.S. action in obtaining forward commitments of 1 million tons of sugar contributed to the maintenance of the world market price above the U.S. price for the first 5 months of 1964, or at least for longer than would otherwise have been the case.

It is true that Brazil only committed her basic quota and did not offer to supply against the Department's initial nonquota request in January 1964. Brazil's crop position was then unclear after 2 years of bad weather, and while she produces sugar continuously throughout the year, the heaviest period of production is in the last half of the year when both the north and the south areas produce sugars simultaneously (chart 3). When the crop was known by mid-1964, the United States was oversupplied and unable to allocate the remaining 503,861 tons. This deprived the Brazilian Government, new as of April 1964, of the opportunity to supply additional quantities of sugar. World prices dropped below U.S. prices by June 1964. The result was substantial benefits for those who quickly committed sugars in 1963 and January 1964, and actual penalty for those who deferred offers, possibly basing their action on the expectation that more than 500,000 tons would still be allocated later in 1964.

It would be wrong to Brazil to use a formula that ignores the objectives of the act that have endured for 31 years and gives continuous benefits based on one extraordinary situation. It would be wrong to ignore the new government, particularly since the most substantial contribution to the U.S. supply crisis was given by Brazil in 1963. We believe the year 1963 was a far more important contribution when the world shortage was obvious and the U.S. supply situation was critical. In that year Brazil supplied 468,822 tons of sugar, the second largest contribution of any supplying country in the Western Hemisphere.

Mr. Chairman, if selling to the United States at a price below the world price is the basis for rewarding contributing countries, then 1963 would have been a more representative year to have been given double weight. We call your attention to the fact that world prices exceeded U.S. prices in 11 months out of the year, whereas in 1964 the situation existed for only 5 months out of the year.

The following table compares 1962 when the world prices averaged \$2.58 per hundredweight below U.S. prices with February 1963-May 1964 (16 months) when world prices were above U.S. prices. During the 16 months from February 1963 through May 1964, of higher world prices, Brazil actually shipped 9,012 tons less at the higher world price than she did in 1962, while the Dominican Republic increased shipments by 228,468 tons, Peru by 225,912 tons, and Mexico by 84,286 tons.

	World premium over U.S. price (per hundred weight)	Shipments to world markets (short tons)			
		Brazil	Dominican Republic	Peru	Mexico
1962 (average)	-\$2.58	132,271	29,958	0	0
1963:					
January	-.40				
February	+.15	1,799	5,680	5,686	0
March	+.47	0	12,244	13,856	0
April	+.28	0	21,881	8,542	0
May	+.19	9,967	20,351	302	0
June	+2.12	23	21,218	7,485	0
July	+2.00	0	25,155	9,180	0
August	+.88	42	7,575	6,391	0
September	+1.09	34,944	8,821	9,789	0
October	+2.18	0	5,903	21,478	0
November	+3.23	0	6,821	13,076	12,448
December	+2.52	29,117	3,673	10,380	21,845
Total, February to December		75,892	139,322	106,165	34,293
1964:					
January	+2.28	19,876	7,265	35,021	6,749
February	+2.02	11,510	35,255	26,352	10,449
March	+1.03	15,923	18,699	24,464	8,049
April	+1.54	0	28,466	16,965	10,247
May	+1.39	53	29,419	17,215	14,499
Total, January to May		47,367	119,104	119,747	49,993
June	-.20				
Increase or decrease in exports at premium prices compared with 1962		(-9,012)	+228,468	+225,912	+84,286

Source: International Sugar Council bulletins, 1962, 1963, 1964, 1965; sugar reports, U.S. Department of Agriculture.

JUSTIFICATION FOR INCREASING BRAZIL'S QUOTA NOW

(1) Brazil a large and dependable supplier of sugar (chart 2): Brazil is the largest producer of cane sugar supplying the United States market and has the greatest potential for expansion. The 1964-65 crop which ended on May 31, 1965, totaled 4,100,000 tons. This clearly established that Brazil's rhythm of production and her export potential are fully recovered from the drought- and frost-stricken crops of 1962 and 1963.

The 1965-66 crop, which began on June 1, is scheduled for authorized production of over 4,500,000 short tons, raw value, and the Brazilian Sugar and Alcohol Institute has authorized an export quota of 980,578 short tons. Records of the Institute show that the Brazilian sugar industry has a crushing capacity of 332,513 tons of cane per 24 effective hours which would permit production of about 5,500,000 short tons, raw value, on the basis of installed capacity at this time.

(2) Importance of sugar exports to Brazilian economy (chart 1): Sugar in the Brazilian economy is particularly important in the north-east where production is in excess of consumption. The export trade of Brazil is concentrated in this region as, for example, in 1965-66 Pernambuco has an authorized allocation for export of 440,003 short tons, raw value, and the Alagoas is authorized to export 226,287 short tons, raw value (table I). This is the area where US/AID and the Brazilian Northeast Development Agency (SUDENE) are jointly concentrating their efforts on much-needed improvement.

AID has been studying agricultural development and adjustment in the area to establish agrarian reform with a view to acting jointly with the Brazilian Government to rehabilitate the area, stressing improvement in social conditions, raising per capita income and nutritional standards, including increasing the efficiency of the utilization of land and other resources of the area.

The northeast has lost its former outlet for sugar for domestic consumption in the center/south. Therefore, an ideal opportunity exists to improve the situation in the northeast by using sugar export dollars to finance acquisition of needed materials. Studies have established, for example, the difficulty of the food supply of the northeast and the fact that the needed expansion of local production of foodstuffs, which will require fertilizers, processing equipment, marketing facilities, and certain other types of food, will not diminish the need for imported wheat.

In the northeast the sugar industry is associated with the economic well-being of 25 million to 30 million people. Sugar exports make a major contribution in achieving mutual goals of both the Governments of the United States and Brazil.

(3) Agricultural trade potential (charts 4 and 5): Brazil, as the largest importer of U.S. agricultural commodities in Latin America contributes substantially to the objectives of the act "to promote the export trade of the United States." In 1964, Brazil's imports of agricultural commodities totaled \$147.1 million (chart 4). This was primarily much-needed wheat as Brazil's production potential is currently less than 10 percent of requirements which have averaged between 2 million to 2½ million tons for the past 10 years.

Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined. With a population of over 80 million persons, or very nearly one-half the population of Latin America, and with unfavorable experience with national production of wheat, it is obvious that Brazil will be an important U.S. market for substantial imports for the next decade, or at least within the framework of the current term of the proposed Sugar Act.

Studies show that Brazil will need upwards of 1 million tons of wheat annually, in addition to the usual purchases under existing agreements with Argentina and Uruguay. Brazil will provide in the future one of the largest cash markets for U.S. wheat of any country in the world as the current program for economic growth is achieved.

In presenting Brazil's case to the Congress in 1962 a definite proposal was made concerning sugar-wheat trade. The proposal was well received by the Congress. However, as we previously stated, political considerations worked against its acceptance. The potentialities for sugar-wheat trade continue to exist as Brazil still will have the problem of importing large quantities of wheat and still has the balance of trade and foreign exchange problems. For example, on August 20 the Brazilian Government, through its Embassy in Washington, presented officially a proposal to use the dollar receipts from 100,000 tons of sugar to be supplied against the Puerto Rican deficit for the immediate purchase of U.S. wheat during the following 2 or 3 months.

(4) Brazil has an excellent record as a supplier to the U.S. market: Until the Sugar Act was amended in 1962 Brazil was not within the quota structure of the United States and was forced to sell on the

world market (average) exports of around 850,000 short tons, raw value (table II). She was the only large producer of sugar, exporting substantial quantities without the benefit of a sheltered market. In 1962 Brazil was given her first opportunity to participate in the U.S. quota system. Brazil did contribute to the extent permitted in 1961 when approximately 330,000 tons were shipped to the United States out of the total exports in that year of 837,000 short tons, raw value. It is obvious that had she been permitted, she would have shipped the entire amount to the United States inasmuch as world prices were substantially below the U.S. price.

In 1962 Brazil's exports were 538,000 tons, of which 406,000 tons were supplied to the United States.

During the year 1963 when world prices exceeded U.S. prices for 11 months and sugar was scarce, Brazil exported 469,000 short tons to the United States. This year of 1963, the first full year of operation under the new Sugar Act of 1962, more nearly reflected the basic quotas established by the Congress than did other years to date. It was influenced the least by administrative action since the latitude therefor was reduced by the fact that the 1962 amendments were in full effect and the United States needed sugar.

The abnormal and unrepresentative year of 1964 has already been referred to herein. It is worth while again to highlight its major features. Only 2,371,000 tons of sugar were required from foreign sources other than the Philippines. This was the lowest annual amount imported during the past 22 years and was nearly 1 million tons less than imports in 1963.

Furthermore, the United States withheld over 500,000 tons of the global quota announced in December 1963. Actually, the allocation to foreign countries was substantially completed early in 1964.

At the same time, Brazil's supply potential for 1964 was unclear after 2 years of adverse weather. The Goulart government was on its last legs, so to speak, and honored only its basic quota and deferred offering additional sugars until later when supplies available for export would be more clearly defined. After April 1964 the new revolutionary government had no opportunity from that time on to offer sugars since the U.S. market was closed because of the oversupply of sugars on hand.

When the 1965 quotas were announced by the Department of Agriculture giving double weight to 1964, we protested that the quotas announced constituted a major diversion from the basic formula established by the Congress in the Sugar Act under section 202(c) (3) (A). It was not fair to the new Government of Brazil to place on it the burden of the peculiar situation that arose out of the action taken by the Department in allocating the 1964 quotas so early in the year and it is double penalizing to use the unrepresentative year 1964 as a continuing measure for the future. Brazil, while it has production throughout the year and has stocks on hand greatly in excess of any other major exporter of sugar to the free world, does have a concentration of production in the second half of the year. Most of the major Western Hemisphere sugar producers are geared to the first half of the year, or December-May. Had the call for sugars come in the second half the advantage would have been to Brazil.

In 1962 we were confronted at the hearings with the expropriation matter and Brazil's quota was held fractionally under that of other major Western Hemisphere suppliers. The situation today is entirely different and we hope the committee will take this into consideration in arriving at an equitable quota for Brazil which should be no less than any other granted to a major Latin American supplier.

In summary, Mr. Chairman, and members of this committee, we respectfully ask that Brazil's position be reexamined in the light of her qualifications to meet the criteria and objectives of the Sugar Act against the new background of Brazil today. Brazil has honored in the past, and will honor in the future, any basic quota and allocation granted to her.

I thank you for this opportunity to be heard.

(The following charts and tables were submitted for the record by Mr. Nemir:)

LIST OF CHARTS AND TABLES

- Chart 1.—Authorized sugar production by major areas and by States for the 1965-66 crop. Also shows authorized production for export by States.
- Chart 2.—Monthly figures for the period 1960 through June 1965 showing end-of-month stocks, production, exports, and consumption.
- Chart 3.—Brazilian sugar production by areas and months for the calendar year 1964. While sugar production occurred in each month of the year heaviest period of production is in the period July-December.
- Chart 4.—Brazil was the largest importer in Latin America of U.S. agricultural commodities in 1964.
- Chart 5.—Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined.
- Table I.—Monthly production by States of sugar authorized for export in 1965-66.
- Table II.—Brazil's sugar exports by area destination, 1957-64.
- Table III.—Entries and marketings of sugar in continental United States from all areas, 1900 to date.
- Table IV.—Cost of production in Brazil for raw sugar, 1963-64 and 1964-65.

Chart 1

**AUTHORIZED SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL
1965-1966
4,752,381 Short Tons, Raw Value**

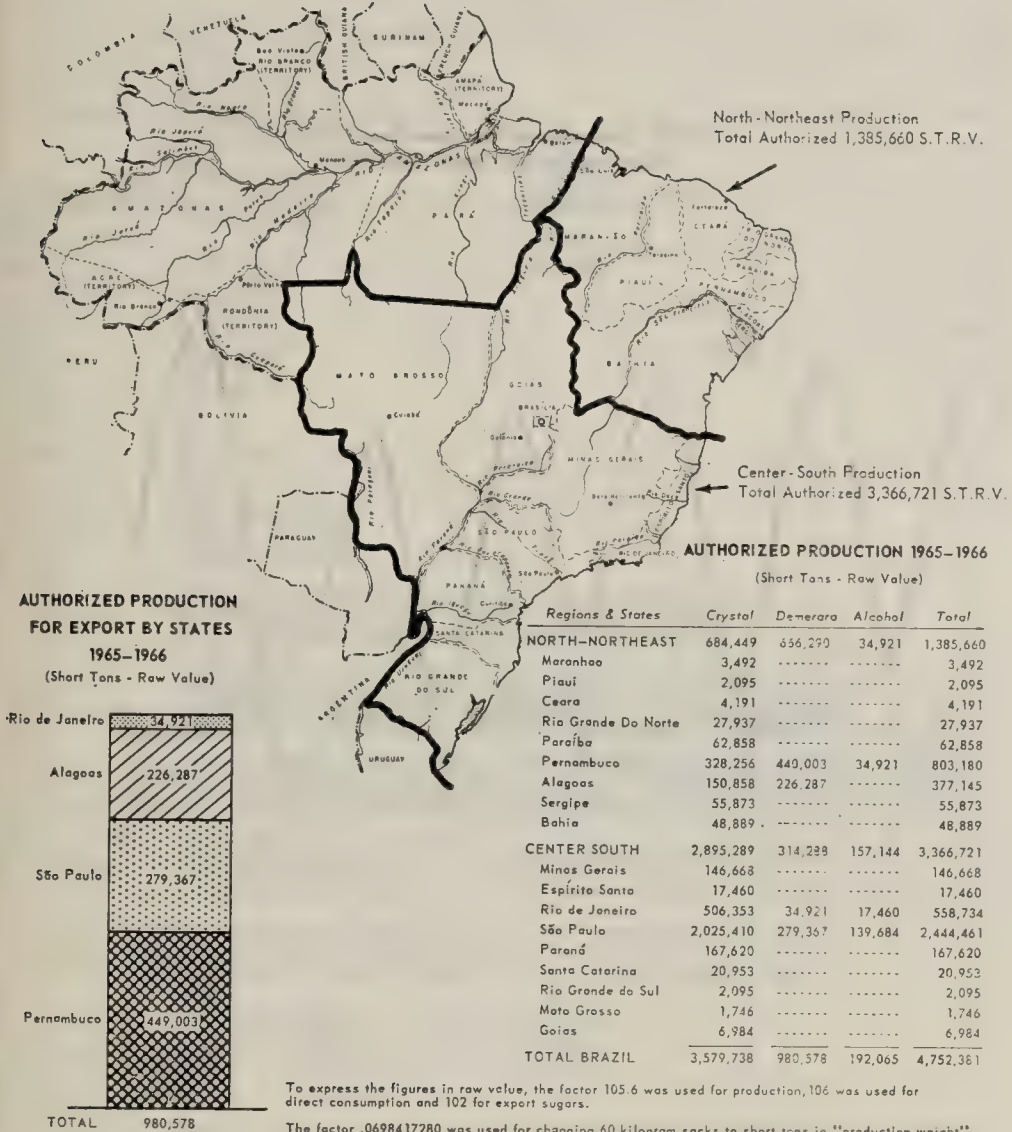


Chart 2

SUGAR—Comparison of Production, Consumption, Exports and Stocks in Brazil, 1960-1965

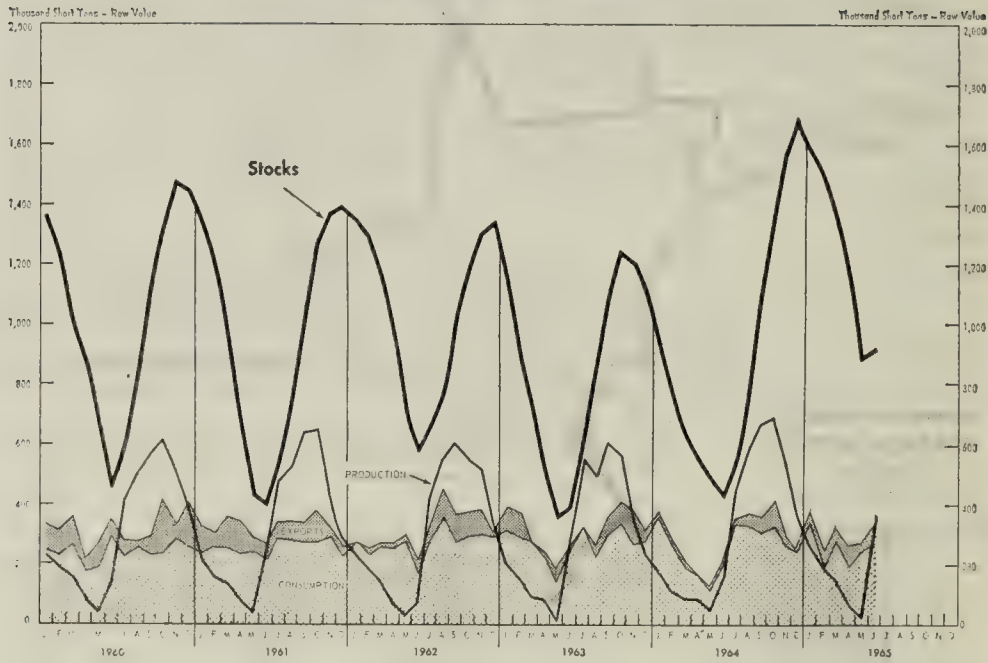


Chart 3

**BRAZIL SUGAR PRODUCTION
BY AREAS
Calendar Year, 1964**

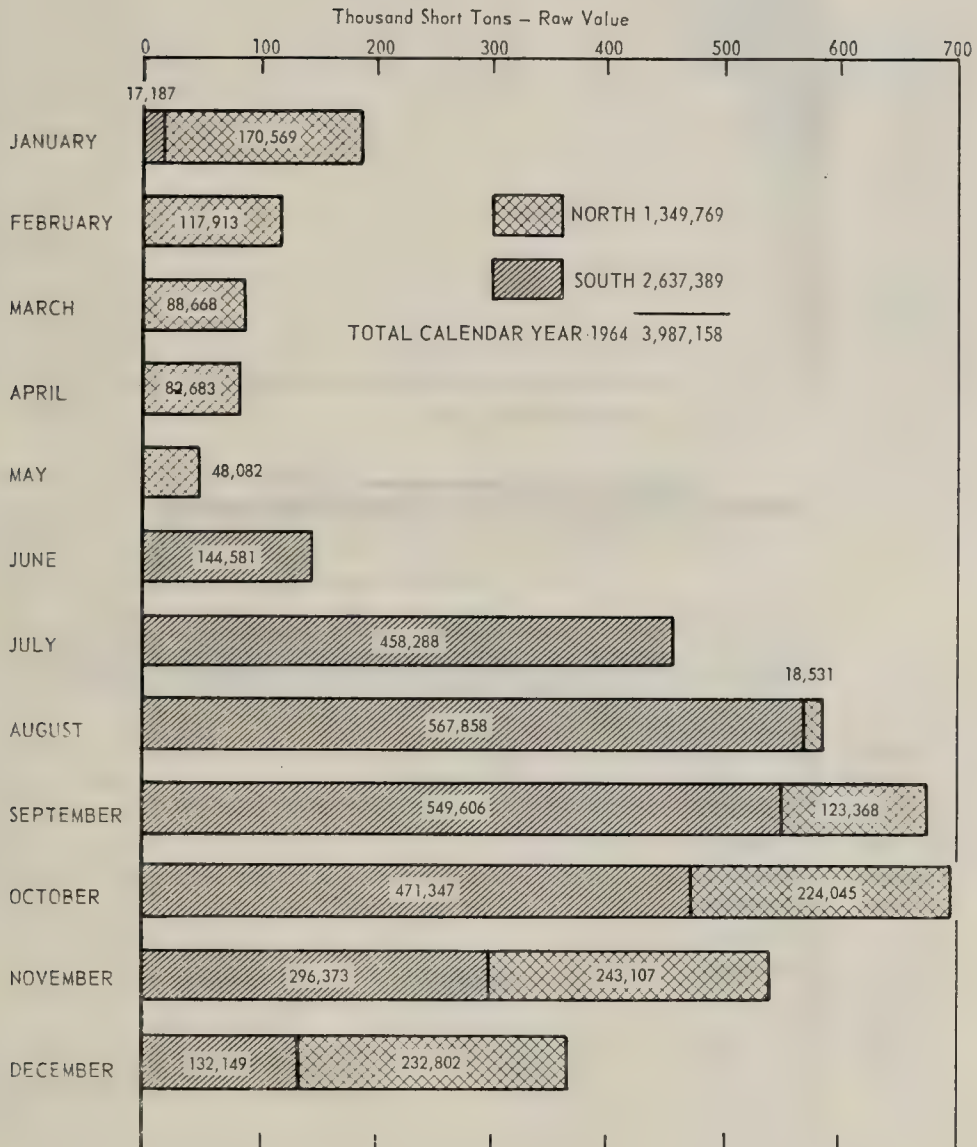
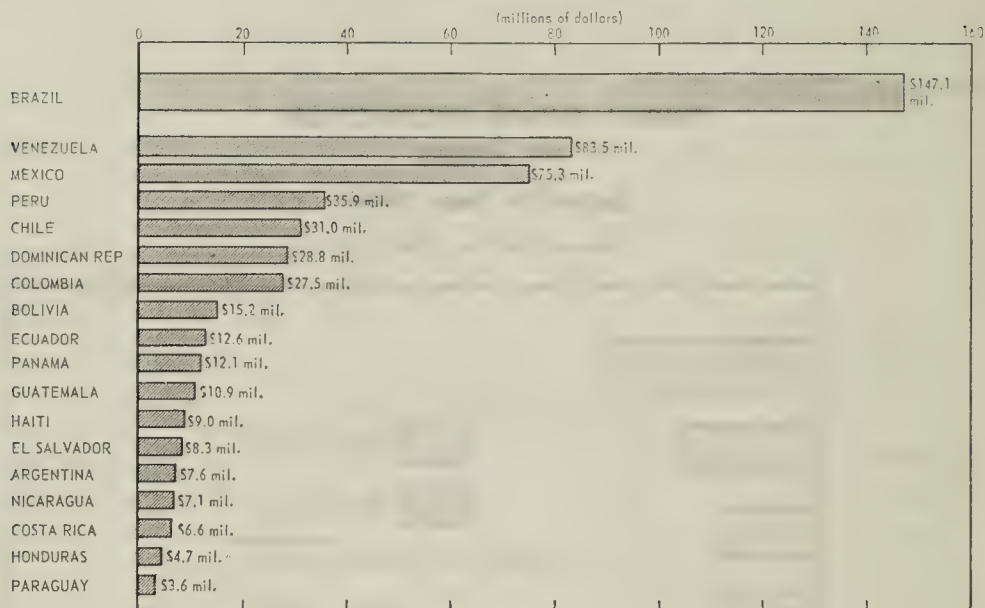


Chart 4

**Brazil was the Largest Importer
of United States Agricultural Commodities
in Latin America—in 1964**

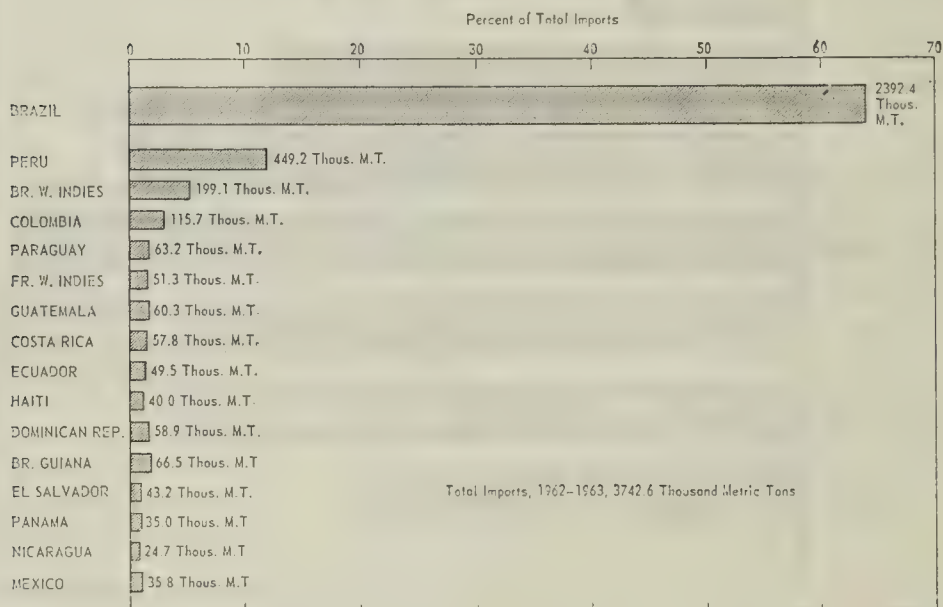


SOURCE: Foreign Trade Statistical Section, U.S.D.A. from unpublished material.

Chart 5

**Brazil Alone Imports More Wheat Than the
Balance of the Western Hemisphere Countries Below Combined**

IMPORTS OF WHEAT FROM ALL COUNTRIES*



*Including Flour

SOURCE: World Grain Trade - Foreign Agricultural Service, U.S. Department of Agriculture - FAS - M-53 (Rev.) May 1965

TABLE I.—*Brazil—Authorized periods for production for export, 1965-66*

<i>State and period</i>	<i>Short tons, raw value</i>
São Paulo : June–August.....	279, 367
Riô de Janeiro :	
September.....	13, 968
October.....	13, 968
November.....	6, 985
Total.....	34, 921
Pernambuco :	
September.....	69, 842
October.....	139, 683
November.....	90, 794
December.....	69, 842
January.....	69, 842
Total.....	440, 003
Alagoas :	
September.....	41, 905
October.....	48, 889
November.....	55, 874
December.....	48, 889
January.....	30, 730
Total.....	226, 287
Grand total.....	980, 578

NOTE.—To express the figures in raw value the factor 105.6 was used for production ; 106 was used for direct consumption ; and 102 for export sugar.

The factor 0.0698417280 was used for changing 60 kilogram sacks to short tons in "production weight."

Source : Brazilian Sugar & Alcohol Institute.

TABLE II.—*Brazil's sugar exports by area destination, 1957-64*

[Thousand short tons, raw value]

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania.....	65.8	333.3	231.0	438.5	329.6	69.7	23.5	.....
Europe.....	252.7	308.1	266.9	213.8	46.3	.....	31.8	64.2
South America.....	57.1	143.9	105.8	157.0	76.6	49.3	22.3	28.8
Africa.....	84.2	87.0	65.6	35.5	55.3	.....	.....	23.3
United States.....	.....	.....	11.8	116.3	329.7	406.5	469.6	182.3
Others.....	.....	.....	.1	.....	.....	12.6	.....	.....
Total.....	459.8	872.3	681.2	961.1	837.5	538.1	547.2	298.6

PERCENTAGE DISTRIBUTION OF BRAZIL'S SUGAR EXPORTS BY DESTINATION, 1957-64

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania.....	14.3	38.2	33.9	45.6	39.4	13.0	4.3	.....
Europe.....	55.0	35.3	39.2	22.3	5.5	.....	5.8	21.5
South America.....	12.4	16.5	15.5	16.3	9.1	9.2	4.1	9.6
Africa.....	18.3	10.0	9.6	3.7	6.6	.....	.....	7.8
United States.....	.....	.....	1.7	12.1	39.4	75.5	85.8	61.1
Others.....	.....	.....	.1	.....	.....	2.3	.....	.....
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Quando VI from recent Brazilian report.

NOTE.—To express the figures in "raw value" the factor 105.6 was used for total production; the factor 106 was used for direct consumption; and 102 for export sugars.

$$\begin{aligned} \text{e.g. } 90 \times 106 &= 9,540 \\ 10 \times 102 &= 1,020 \end{aligned}$$

105.60

Source : Brazilian Sugar and Alcohol Institute.

TABLE III.—*Entries and marketings of sugar in continental United States from all areas, 1900 to date*

[In thousands of short tons, raw value]

Year ¹	Total	Continental United States ²		Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba ³	Other foreign countries
		Beet	Mainland cane						
1900.....	2,413	92	312	252	36	(1)	25	353	1,343
1901.....	2,963	198	364	345	69	(1)	2	500	1,435
1902.....	2,574	233	373	360	92	(1)	6	492	1,018
1903.....	3,143	258	278	387	113	(1)	9	1,198	900
1904.....	3,023	259	415	368	130	(1)	31	1,410	410
1905.....	3,118	335	390	416	136	(1)	39	1,029	773
1906.....	3,359	518	273	373	205	(1)	35	1,391	564
1907.....	3,701	496	394	411	204	(1)	13	1,618	565
1908.....	3,331	456	415	539	235	(1)	19	1,155	512
1909.....	3,370	548	332	511	244	(1)	42	1,431	622
1910.....	3,789	546	355	555	285	(1)	88	1,755	205
1911.....	3,801	642	361	506	323	(1)	115	1,674	180
1912.....	3,927	742	163	603	367	(1)	218	1,593	241
1913.....	4,382	784	301	543	383	(1)	102	2,156	113
1914.....	4,431	773	247	557	321	(1)	58	2,463	12
1915.....	4,718	935	139	640	294	(1)	163	2,392	155
1916.....	5,000	878	311	569	425	(1)	109	2,575	133
1917.....	4,808	819	246	581	489	6	134	2,335	198
1918.....	4,430	814	285	540	336	4	87	2,280	84
1919.....	5,352	777	122	579	364	10	88	3,343	69
1920.....	6,337	1,165	176	550	413	13	146	2,881	993
1921.....	5,412	1,091	327	541	469	6	165	2,590	223
1922.....	6,807	722	296	568	360	6	275	4,527	53
1923.....	5,831	943	172	519	342	2	238	3,426	189
1924.....	6,463	1,166	90	677	393	2	339	3,692	104
1925.....	6,934	977	142	755	600	11	493	3,923	33
1926.....	7,024	960	48	747	559	6	380	4,280	44
1927.....	6,809	1,170	72	777	574	6	531	3,650	29
1928.....	6,691	1,135	136	878	674	11	575	3,249	33
1929.....	7,587	1,089	218	882	507	3	711	4,149	28
1930.....	6,683	1,293	215	868	809	6	794	2,645	53
1931.....	6,727	1,343	206	998	796	2	872	2,482	28
1932.....	6,303	1,319	160	1,048	940	5	1,028	1,791	12
1933.....	6,331	1,366	315	990	793	5	1,249	1,573	40
1934.....	6,574	1,562	268	948	807	5	1,088	1,866	30
1935.....	6,277	1,478	319	927	793	2	917	1,830	11
1936.....	6,833	1,364	409	1,033	907	4	985	2,102	29
1937.....	6,860	1,245	491	985	896	8	991	2,155	89
1938.....	6,619	1,448	449	906	815	4	981	1,941	75
1939.....	7,466	1,809	587	966	1,126	6	980	1,930	62
1940.....	6,443	1,550	406	941	798	0	981	1,750	17
1941.....	8,009	1,952	411	903	993	5	855	2,700	190
1942.....	5,555	1,703	407	751	836	0	23	1,796	39
1943.....	6,466	1,524	460	866	642	3	0	2,857	114
1944.....	6,942	1,155	515	802	743	3	0	3,618	106
1945.....	5,997	1,043	417	740	903	4	0	2,803	87
1946.....	5,657	1,379	445	633	867	5	0	2,282	46
1947.....	7,759	1,574	383	842	969	3	0	3,943	45
1948.....	7,084	1,656	456	714	1,013	4	252	2,927	62
1949.....	7,588	1,487	557	769	1,091	4	525	3,103	52
1950.....	8,279	1,749	522	1,145	1,053	11	474	3,264	61
1951.....	7,753	1,730	457	941	959	6	706	2,946	13
1952.....	7,991	1,560	579	972	983	6	860	2,980	51
1953.....	8,282	1,749	513	1,087	1,118	12	932	2,760	111
1954.....	8,240	1,802	501	1,040	1,082	10	974	2,718	113
1955.....	8,396	1,797	500	1,052	1,080	10	977	2,862	118
1956.....	8,992	1,955	601	1,091	1,135	13	982	3,089	126
1957.....	8,916	2,066	636	1,037	912	15	906	3,127	217
1958.....	9,076	2,240	680	630	823	6	980	3,438	279
1959.....	9,240	2,241	578	977	958	12	980	3,215	279
1960.....	9,522	2,165	619	845	896	7	1,155	2,390	1,445
1961.....	9,731	2,607	784	1,045	980	16	1,355	0	2,944
1962.....	9,797	2,415	787	1,084	904	11	1,256	0	3,340
1963.....	10,515	2,965	1,072	1,033	875	15	1,195	0	3,360
1964.....	9,109	2,699	905	1,119	793	16	1,217	0	2,369

¹ Data on fiscal year basis, 1900-18; calendar year basis, 1919 to date.² Crop year production, 1900-30—marketings for this period not available.³ Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; and 1947, 230,000 tons.

TABLE IV.—*Cost of production for raw sugar*

[In cruzeiros per 60 gross kilos]

	1963-64	1964-65
	Cr\$	Cr\$
Raw material (sugarcane).....	1, 987	3, 935
Industrial production:		
Direct hand labor.....	203	347
Cost of fabrication.....	831	1, 125
Various charges.....	40	84
Subtotal.....	3, 061	5, 491
Less value of residual molasses.....	125	286
Average cost of production.....	2, 936	5, 205
Cost of administration.....	91	147
Subtotal.....	3, 027	5, 352
Financing cost (interest).....	164	354
Total cost of industrial production.....	3, 191	5, 706
Industrial profit margin.....	221	396
Average liquidating price.....	3, 412	6, 102
Tax cost.....	330	610
Price at source of production.....	3, 742	6, 712

NOTE.—1963-64: Cr\$3,742=US\$6.48 (US\$=Cr\$577.66). Price at source of production per pound-weight: US\$0.0491.

1964-65: Cr\$6,712=US\$5.19 (US\$=Cr\$1,293.48). Price at source of production per pound-weight: US\$0.0393.

Expenses to put in f.o.b. stowed condition, US\$0.009 to US\$0.015.

Senator LONG. Our next witness is Miss Dina Dellale, who is appearing in behalf of the Sugar Industries of Central America.

STATEMENT OF MISS DELLALE, REPRESENTING THE SUGAR INDUSTRIES OF CENTRAL AMERICA

MISS. DELLALE. Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the Sugar Industries of Central America. The five countries of Central America are Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

Though small by the standards of the United States these nations, on the isthmus that links North and South America, have joined together to improve their economic well-being. This is the fifth year that the Central American Common Market has operated and each of its member countries has benefited from the association. The area is now one of the fastest growing of all the developing countries in the world, and its progress in this short period of time has been something of a surprise—a very pleasant one. A close look at these achievements will, perhaps, broaden the understanding of why we are before this committee.

The five Republics consist of some 13 million people, who in the past faced an uncertain economic future. Agriculture, the backbone of their economy, was subject to downward spirals of commodity prices. Each alone was not prepared to cope with their worsening economic conditions nor with that hot wind of desire which is fanning the slum streets and rural villages into rising expectations of a better life, no matter the circumstances of birth. Faced with such stern realities, these five small countries, logically and naturally, united in one large

economic unit and its progress before the entire world became a testing ground.

What does this common market movement in Central America consist of? It goes far beyond tariff cutting and lip service. The countries are tackling joint and mutual problems and establishing regional institutions for finance, research, education, labor, trade, and investment. Harvard Business School sessions are held in Nicaragua to train executives; a monetary council operates from Honduras promoting a unified currency, using a peso on a par with the U.S. dollar; a uniform code of tax incentives for investment has been adopted, and all now have direct taxes on individual and corporate incomes. Factories are springing up across the whole area and their impact on the status of the underprivileged has brought a quickening of the lifting of living standards. A middle class is developing who are ever mindful of what progress will bring—more and better things at lower costs.

This bustling panorama is laid before you for the understanding of what hope means to these people who have a past history of broken dreams. For while good attempts are being made to develop new fields of industrial and agricultural activity, of eliminating practices which hinder efficiency, of using capital progressively, and of training a rapidly expanding population with the skills needed for future development, it must still be borne in mind that the Central American area is a developing region. For the time being, and for the foreseeable future, its primary resource will remain the land. Agriculture will produce the funds to buy machinery and equipment. Like all small areas aspiring to higher standards of living, these Republics are dependent on trade. One of the principal reasons industry has never developed is that no one Central American nation was big enough to provide the necessary market. Today, the market is significant. President Johnson recently, on July 29, made an unusual personal appearance to sign a loan for the Central American Bank for Economic Integration. His remarks in praise of Central America are significant, and I quote him:

Yes, great progress has been made in central America * * * The central American Republics are providing all their neighbors and all the world what I would think is a very stirring example of what can be accomplished by free men with vision, and with wisdom, and with courage.

The framework of the future Central America has been firmly put in place and results so far have been most impressive, but this year and next, and the year after, and some years more, Central America needs every dollar agricultural exports bring to buy manufactured goods in the United States.

One of the best ways to judge this region's progress is to look at those responsible. Many groups have roles to play if development is to proceed successfully, but the growth capacities in Central America are mostly in the hands of private individuals and private enterprises. Businessmen are earning the future by being good citizens in the search to solve social problems, improve the skills of workers with on-the-job training, and at the same time not forgetting that the object of economic growth is to improve the lot of the masses of people. They know that when the economic and social system is fair, stable, and works in the interest of the majority, business will thrive. Nowhere

can you find a better example of this than exists in the sugar industries in each of the five countries of Central America. Sugar is a private enterprise for them all, from the planting and harvesting of cane on a small parcel of self-owned land, through its milling, until it reaches the final destination of the marketplace. Revenue from this source does not constitute the patrimony of a few. The vicious population explosion on the isthmus has accelerated the part that the sugar industries must play to solve the problems of such conditions if wages are not to sink to subhuman standards.

The mills buy more than 55 percent of the cane they grind from small planters, and commitments with them are made 1 year in advance which constitute a guaranteed minimum price for that year plus a share in whatever other profits are received. There is no inequity of vested interests here, rather sugar is vital for the welfare of the people of Central America. Consequently, anxiety is general from the millowner to the hundreds of thousands of cane planters and their dependents, over the outcome of sugar legislation in the United States. The employment of the large number of sugar workers, over 375,000, their dependents included, with stable and reasonable wages, cannot be attained without an assured and permanent place in the U.S. market—this place not to retreat from—the one we earned by performance when the world price was high and other foreign supply sources of the United States were looking elsewhere to their immediate profits.

Following the path of the unity of their area, at the invitation of Costa Rica, the sugar associations of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica met together as strangers in 1962 and formed a working friendship to face their problems both internally and externally. An organization was formed called the Latin American Sugar Council, consisting of these Central American countries, and it was agreed that the five should unify their actions and aims, all helping the other with exchanges of ideas, working improvements, and general information. This unity was all the more impressive as each constituted a private enterprise, not maintained with a Government subsidy, but rather contributing in taxes and employment to the country. All have cooperated with their Governments by paying a levy on sugar to provide social benefits for the worker. Further still, individually the millowners of each of the countries have provided better housing, medical service, pensions, schools, community centers, playgrounds and playing fields, assuring the filtering down of any benefits that resulted as participants in the U.S. sugar program. Both Government and private enterprise know well that the real national income and growth depend on the terms of trade—the relation between the prices received for exports and prices it must pay for imports.

U.S. relations with Central America have been characterized at times with forgetfulness, alternating with short periods of concentrated heedfulness. There is a predisposition to take them for granted, believing that this friendship requires no special attention. But true friendship involves more than the clasp of extended hands across the border. Printed or uttered words do not, in themselves, bring good will and understanding. Actions are necessary.

Central America lives in dread of communism and is the principal target of that peculiar brand preached by Fidel Castro, of Cuba.

Small as these countries are, and poor as they are, they are working against Castro, literally day and night. Speaking together in unison, they command increasing attention in world councils and contribute vitally to the moral forces that the United States is mustering to maintain peace and security. Their growing stature is a significant factor as allies. Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica are of major strategic, political, and economic importance to the United States. Communism works constantly and incessantly on the premise that it is not difficult to lure millions who have nothing to lose. Sunshine cannot fill an empty stomach. So in friendship, and with the mutual respect that is especially important in relations between large and small countries, Central America, youthful, growing, idealistic, producer of products you consume, purchaser of much you produce, friend and ally in times of peace and war; staunch supporter of your political viewpoints in the United Nations and the Organization of American States, with five solid votes each and every time a decision comes up, those votes given in expression of their democratic beliefs, and most times the deciding factor in close emergency decisions, this Central America comes before the committee believing in your genuine understanding of its problems and hopes, and that visible evidence will result of that understanding.

Sugar is the third largest industry of the area. There are 77 mills located throughout the 5 countries participating in the Common Market with a total output of 550,000 tons a year. As a little more than half of this amount is consumed domestically, there remains 250,000 tons that must be exported. All that is exported has come to the United States. This does not mean that Central America does so only when the U.S. price is higher than elsewhere—the Sugar Act to them is a two-way street. During 1963 and 1964, when prices soared in the world market, these small nations, at tremendous financial sacrifice, put aside shortsighted profits to fulfill their obligations and much more in this program. No “friendly” persuasion was necessary, and long before a voice was heard from those who could better afford the loss of profits when the world price was still soaring, Costa Rica, on December 12, 1963, was the first of all quota countries to speak up pledging her entire surplus sugar, of approximately 72,000 tons, to the U.S. consumer at an immediate loss of about \$3 million, which represents more profit than the entire Costa Rican sugar industry generates over the course of 2 normal years. There followed quickly the same cooperative response from the other Central American countries. This is friendship.

In the time since Cuba's sugar no longer had access to the U.S. market, the isthmus Republics have filled a substantial amount of that void without any long-term guarantees. In the past 5 years, they have built up an historical performance. In adjusting the quotas of these countries, Central America asks that this record be considered, together with its willingness and ability to perform under all circumstances. The commercial trade balance with the United States of each of these Republics is so unfavorable to them in their efforts to push quickly and eagerly toward their goal, that uncertainty is now appearing about the future. The combined trade deficit with the United States is approximately \$81 million. In 1964 U.S. exports to Central America totaled over \$315 million. They are among your

largest customers per capita. They want to continue to buy from the United States, but they want to pay for what they purchase with money that is earned, not borrowed. They do not wish to turn elsewhere because of lack of dollars.

With the foreign portion of the Sugar Act not in effect this year, the sugar industries of the Central American countries began, on their own initiative, a long-term program of putting stocks in reserve. These stocks will be continued each year with totals that always fulfill any one of the quotas assigned to them by the United States. The purpose of this voluntary action is to assure at all times a stable source of supply even if there should be some unforeseen catastrophe by nature in any one of the countries. In other words, the full amount of the quotas from the five countries of Central America would always be guaranteed to the United States. The insurance is the stock reserve, obligatory to all five. May I emphasize that to carry such stocks is rather expensive and those charges have been considered when this program was initiated.

Before placing the individual requests of these countries before the committee, Central America asks that the committee include in the bill before you a provision (with specific reference to the countries of Central America as participants in the U.S. Sugar Act in accordance with all the existing terms and conditions), containing the following requirements: Whenever there is established a shortfall in the quota of any of the five countries of the Central American area joined together in the Central American Common Market, the resulting deficit quota shall be allocated among the other member countries of this group in proportion to their existing U.S. quotas.

Mr. Chairman, with firm belief that you and the members of this committee will not forget those who delivered sugar to the United States when it was most needed, and with all due reverence for computers, may we ask that consideration be given to the following requests which are illustrated by the attached map:

The Republic of Honduras, with no quota, unlike British Honduras, which is already a quota country, is climbing rapidly into the age of modern industry and agriculture, and has been in the past a net importer of sugar. Feeling rather like Cinderella after her sisters had gone to the ball, Honduras now finds herself self-sufficient and with a small sugar surplus but—alas—no quota to bring it into the U.S. market. She is a full and active member of the Central American Sugar Council. A quota of only 5,000 tons in the U.S. Sugar Act will allow Honduras to take a place with her companion countries of the Central American Common Market. Honduras is mentioned separately because of her exclusion from the act. The requests for her neighbors are as follows:

	<i>Tons</i>
Guatemala.....	60, 000
El Salvador.....	55, 000
Nicaragua.....	65, 000
Costa Rica.....	65, 000

Performance and financial loss have been stressed in this statement. Both factors were considerable, with their pledges to the United States in December 1963, after the Secretary of Agriculture made his consumption requirements official for the year 1964. It was then that 1 million tons of global quota was authorized for pur-

chase and entry. By December 24, 1963, only 745,000 tons had been subscribed with Costa Rica's share, 35,000 tons, representing almost 5 percent of the total commitment. It was not until January 21, 1964, that the Department of Agriculture was able to announce that the full million ton quota had been filled. In addition, the Western Hemisphere deficit reallocation of 98,277 tons authorized on December 18, and by January 31, 1964, had only 74,850 tons pledged of which Costa Rica had 12,000 tons or approximately 16 percent, and Guatemala pledged 5,000 tons representing 6 percent of the total subscription. These pledges were not hollow offers, as the regulations were such to necessitate the immediate deposit of guarantee funds in a designated U.S. bank.

I attach as part of this statement a letter from the Department of Agriculture dated November 4, 1964, relating to the force majeure in Costa Rica due to the 2-year activity of the volcano, Irazu.

Economic development is a difficult process and miracles are not produced overnight. Each of these five countries is doing all that is possible to help itself, and that is a tremendous accomplishment. Without trade, the future prospect is bleak. If one Central American country goes Castroite, all this hope and progress will come to a halt.

Mr. Chairman, the United States and Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica share a continent together. The friendship that now exists is strong, and as cooperation continues to grow, perhaps the reasons for hope will outweigh those for pessimism. Then it can be said with much truth, "In union there is strength."

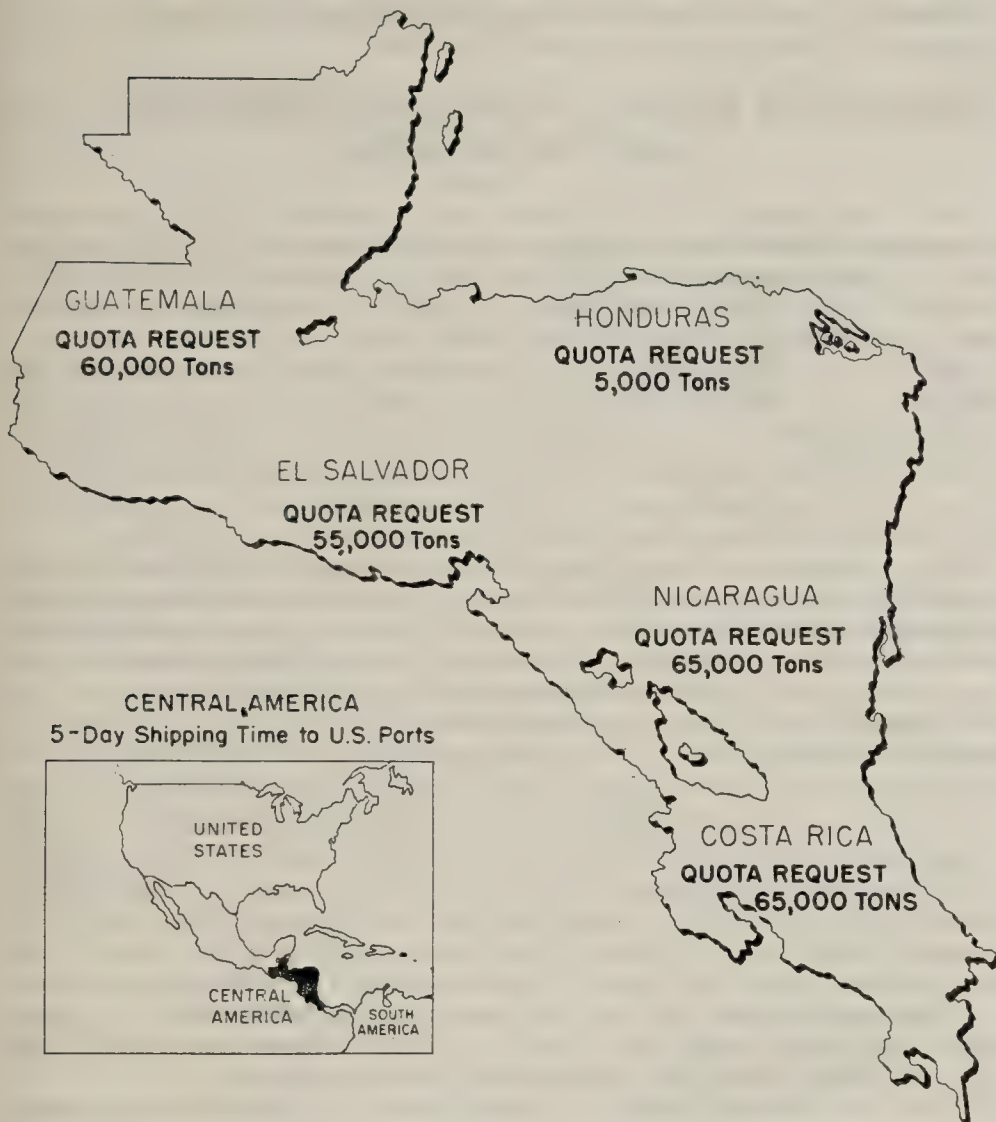
I thank the committee for their attention.

(The following was filed for the record by Miss Dellale:)

CENTRAL AMERICA

Area Population... 13 million

TOTAL AREA SUGAR QUOTA REQUEST... 250,000 TONS



U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Washington, D.C., November 4, 1964.

HOGAN & Co.,
New York, N.Y.

GENTLEMEN: This refers to your set-aside agreements Nos. 17-045-X and 17-046-X, approved by this office January 7, 1964, for the importation of 35,000 tons of sugar from Costa Rica.

On the basis of evidence you submitted, a finding has been made by the Administrator of the Agricultural Stabilization and Conservation Service that you were prevented from fulfilling the terms of the two agreements because of circumstances beyond your control and liquidated damages will not apply.

Accordingly, action has been taken to terminate the related letters of credit Nos. 345285 and 345286 with the Chase Manhattan Bank.

Sincerely yours,

EDWIN H. MATZEN,
*Head, Sugar Quota Group,
Policy and Program Appraisal Division.*

Senator LONG. Our next witness is Mr. Robert L. Farrington who is appearing in behalf of the Republic of China.

**STATEMENT OF ROBERT L. FARRINGTON, REPRESENTING THE
REPUBLIC OF CHINA**

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 1155 15th Street NW., Washington, D.C. I am appearing in the interests of the Republic of China, a longstanding friend of the United States and for many years a dependable source of sugar supply for the United States.

China's basic quota under the 1962 amendment to the Sugar Act of 1948 was 38,114 short tons for the year 1963, plus a global quota allocation of 33,155 tons—a total of 71,269 short tons. For 1964, China was given a basic quota of 34,042 short tons, plus global quota allocations of 47,114 short tons, or a total of 81,156 short tons. For 1965 the proration to China stands at 69,819 short tons.

It is a point worthy of note in considering China's performance record that in 1963 and 1964 the world market price was generally always above the U.S. market price. China has, however, consistently fulfilled its basic quota and, when the United States needed sugar, has also supplied for allocations under the global quota plan.

The Republic is deeply grateful to the United States, and particularly to this committee, the State Department, and the Department of Agriculture for an important share in that portion of U.S. sugar needs obtained from foreign sources. We submit, however, as we did in our testimony in 1962, that China's longstanding record of performance in supplying sugar to the United States, and China's relative standing in world sugar production and export capability, justify increased allotments, percentagewise, in that part of U.S. sugar which it is necessary for the United States to obtain from foreign countries.

China hopes, also, that she will receive equal treatment with other sugar-producing countries when the United States needs additional sugar to fill any unexpected deficits in U.S. sugar supply.

When we were privileged to appear before this committee regarding the proposed amendments to the Sugar Act in 1962, we made the point, illustrated by a schedule, that in terms of sugar production and export capability China ranked much higher on the list than it did with regard to the portion of the foreign quota allocated to China. The same situation still prevails.

It is respectfully urged that this information be taken into consideration by this committee in determining the basic quota provided for China in the legislation now under consideration.

It is further submitted that China's record of performance and her export capability justify a basic quota of at least 300,000 tons.

The specification in this proposed new law of a larger basic quota, more in line with China's actual production and export capability,

would add stability both to the sugar industry in China and to the assurance of supply for the United States.

It is well known to this committee that the island of Taiwan is the principal area of agricultural and industrial production for the Republic of China at the present time. Taiwan has a land area of 13,835 square miles, a little over $2\frac{1}{2}$ times the size of Connecticut. It has a population of 12,535,000 at the end of 1964—about 5 times that of Connecticut.

The agricultural population in 1963 was about 5,611,000, or almost one-half the total population. About two-thirds of the sugarcane farms are owned by the growers and the farms consist, on the average, of about 1.04 acres. The average farm family is about six to seven persons.

Notwithstanding much industrial development in Taiwan during the past 3 years, sugar remains the island's most important crop, and about $1\frac{1}{4}$ million people depend upon it for a livelihood. Exchange earnings from sugar exports amounted to around \$135 million in 1964, or about 30 percent of the revenue from total exports. About 86 percent of the sugar is exported, mostly to the Middle East and Far East countries where Taiwan continues to be faced with constant economic warfare from the Communists, due in part to Cuban sugar production.

A larger volume of sugar purchases by the United States from China would also help in maintaining China's remarkable economic growth which has been particularly in evidence since 1959. For example, China's gross national product, in U.S. dollar equivalent, was 1.34 billion in 1959 and was estimated at 2.36 billion in 1964, an increase of more than 75 percent in 5 years.

When we appeared before this committee to testify on the proposed Sugar Act Amendments of 1962, we showed the trade balances between China and the United States for 1960 and the first 6 months of 1961. The situation in the 1961-64 period was as follows:

Imports from the United States	Exports to the United States	Balance in favor of the United States	Year
139,804,000	51,503,000	88,301,000	1961
141,342,000	58,594,000	82,748,000	1962
150,920,000	58,170,000	92,750,000	1963
146,090,000	84,019,000	62,071,000	1964

A breakdown of the major U.S. agricultural commodities involved, as shown by the U.S. Bureau of Census of 1961-63, and the Bank of Taiwan exchange settlements for 1964, is as follows:

U.S. exports of agricultural commodities to the Republic of China

Commodity group	1961	Unit: 1962	US\$1,000 1963	1964
Cotton	26,112	30,643	26,529	21,855
Oilseeds (mostly soybeans)	14,047	9,317	14,026	18,501
Grains	16,225	17,584	23,250	17,485
Animal fat	2,377	2,394	3,482	6,471
Tobacco	2,439	3,090	2,630	2,121
Soybean oil	543	1,059	390	1,808
Dairy products	525	839	482	350

As of July 1, 1965, the United States discontinued economic aid to China. In order that the Republic of China may continue to be a good customer of the United States, it is only equitable that China be given the opportunity to earn more dollars through trade with the United States in order to offset the present unfavorable trade balance between the two nations.

Mr. Chairman, I appreciate the opportunity of presenting this statement.

Senator LONG. Thank you very much Mr. Farrington.

Our next witness is Mr. James M. Earnest, who appears in behalf of the Mauritius Chamber of Agriculture and the Mauritius Sugar Syndicate.

STATEMENT OF JAMES M. EARNEST, COUNSEL, MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE

MR. EARNST. Mr. Chairman and members of the committee, my name is James M. Earnest. I am a practicing attorney in the District of Columbia, having my offices in the Woodward Building. I represent the Mauritius Chamber of Agriculture and also the Mauritius Sugar Syndicate, a statutory agency authorized by the Government of Mauritius to control the marketing of sugar produced on that island. Both the people of Mauritius and the people of the United States have a very vital stake in the legislation here under consideration. I have a prepared statement, which is substantially the same statement which I submitted to the House Agriculture Committee. In view of the limited time allowed for oral presentation, I will ask leave of the committee to have this prepared statement, 50 copies of which have been filed with the clerk of the committee, printed in the record of this hearing.

Mauritius is a small sugar island in the southwest quarter of the Indian Ocean. Its total area is about 720 square miles, but its climate and soil are well suited to the cultivation of sugarcane, and over 45 percent of its area is planted with this crop.

Politically, Mauritius is a British crown colony, which enjoys a large measure of internal self-government. It is the administrative center for a number of smaller island dependencies of Britain anywhere from 200 to 1,200 miles to the east and northeast.

Strategically, Mauritius is located just 550 miles east of Madagascar and about 1,600 miles east of the African mainland. It is a vital link on the air and sea routes to the Far East and Australia. It has a good harbor which can accommodate up to 10 ships, and it has an airport which can accommodate jet aircraft. More important to the United States, however, is the fact that Mauritius is the location of one of the principal tracking stations for its manned satellites and the administrative center for islands in the Indian Ocean which may soon serve as joint United States-United Kingdom naval bases. Plans are also underway for setting up a joint United States-United Kingdom nuclear detecting station on Mauritius.

My prepared statement contains a detailed review of the economy of this island which has made, and continues to make, concerted efforts to break away from its almost total dependency upon sugar. I feel that I need not, in the economy of time, repeat here the material I have included in my prepared statement.

Nevertheless, I believe that it is important to emphasize that, notwithstanding the efforts it has made not only to develop other sources of income, but also to control the steady increase in its population, Mauritius is today almost wholly dependent upon sugar for its livelihood. Sugar accounts for 98 percent of its exports, and although it will export substantial quantities of sugar to the United Kingdom, it must still find other outlets for its sugar in order to support its increasing population. Of course, the United Kingdom, and even the Commonwealth countries, cannot take all of the Mauritius sugar production, to the detriment of other colonies and affiliated countries. This means that Mauritius seeks an outlet for approximately 62,000 short tons of sugar in 1965, increasing to approximately 280,000 short tons by 1969, according to our best estimates. This is sugar which Mauritius will need to sell, over and above its exports to the United Kingdom and Commonwealth markets, where there is little prospect of increase in the amounts that may be taken from Mauritius.

From the foregoing, the importance of the legislation under review to Mauritius is readily apparent. It is hoped that under the U.S. sugar program, Mauritius will find a market for a substantial part of its sugar production. Such market outlet in the United States would enable Mauritius to increase its purchases from the United States, in particular, its purchases of agricultural commodities such as wheat and tobacco.

I should point out here, as an aside, that Mauritius has never received one dime in U.S. foreign aid. Its trade with the United States has been on a cash basis, and at no discount. The expansion of the Mauritius sugar outlet in the United States would thus advantage the U.S. economy considerably more than would a similar quota made available to a country receiving substantial foreign trade, whose purchases from the United States are thereby subsidized in large part by the U.S. taxpayers.

There is no question that the sugar quotas benefit the countries receiving them. This legislation has been called the "Sugar Pie" and various other terms have been used to decry the system of allocation. Nevertheless, the fact remains that world sugar production exceeds world sugar demand, and in practically every major sugar market, sugar is grown and marketed under strict controls. This country had the experience of an uncontrolled sugar market, and the result was that sugar prices either skyrocketed, or plunged to new lows. The odd part of all this was the fact that the price to the consumer never dropped as low as the prices to the producer, and a Department of Agriculture study made in 1962 showed that even during the depression, when the prices of most commodities fell markedly, retail sugar prices remained high in comparison with both the general price level and consumer income.

The program which was adopted to counteract the fluctuations of the sugar market is the program which has been since referred to as the "Sugar Pie," but it has operated to keep the retail price of sugar within the United States at a fair and reasonable level ever since its adoption in 1937.

The people of the United States have a vital stake in this legislation, which ought to insure them reasonably stable supplies of sugar at prices which are fair, and this has been one of the traditional objectives of our sugar legislation.

To the extent, then, that the allocation of a quota to Mauritius will accomplish this objective, the interests of the peoples of both countries in the proposed legislation would seem to merge.

But the issues here are beclouded by the hue and cry after the sugar lobbyists, of which I am perforce, one. It is a matter of record that Mauritius has paid me annual fees amounting to approximately \$14,000 for a 2-year period. Only one reception was given by the London representative, at which he showed a film in the nature of a travelog. This was held last June, and he paid the whole bill.

In my employment, my associate and I have spent many hours researching sugar legislation and in following current developments and interpreting them for our client. We have spent many hours in conference with him in order to present, as lawyers (for we are not economists or publicists) the best case we know how to present for an allocation of an equitable quota to Mauritius. I say to you, Mr. Chairman, we have earned every penny of our fees, which are not contingent upon the quota to be received by Mauritius. While the Honorable Mr. Findley states that lobbyists serve no useful function, I think that there is no one else to study the facts and make a presentation of factors to be taken into consideration by the committees of Congress considering this legislation. This is particularly true for entities such as Mauritius which could not be diplomatically represented in such matters. As we have approached this matter in the same way as we would any legal matter in the office, and have developed what we hope is an effective presentation, we are primarily serving as advocates, which is an honorable profession.

I am aware that Senator Fulbright proposes to amend H.R. 11135 to vest in the executive branch of the Government the actual allocation of such quotas as may be prescribed under his proposal. I do not know if the Senator has a purpose of eliminating lobbyists from the sugar scene, but his amendment is contrary to the traditional control Congress has retained over this legislation for 27 years or more.

Nor do the recommendations made by the Department of Agriculture in H.R. 10496 give any assurance that such a step would be a wise step. For example, although 1963 and 1964 were altogether abnormal, these were the years which the Department selected as the bases upon which data allocations would be predicated. By double weighting 1964 over 1963, the Department practically excluded countries which had shipped sugar to the United States in 1963, but could not ship in the first half of 1964, owing to differences in the growing seasons. These and many other valid criticisms may be made in respect of the executive proposals, and it would seem to me that this program which over the years has become a vital part of our foreign policy should be subject to the review of Congress, and in particular, the committees which can study not only the recommendations of the executive branch, but the cases advocated by the representative employed by the countries needing and seeking quotas.

I have said before that the demographic problem of Mauritius is not, in and of itself, a justification for the allocation of a quota for Mauritius. But Mauritius has been producing sugar for over 300 years. Its production, as will be seen from my prepared statement, has steadily expanded, and Mauritius has demonstrated that, if relied

upon to supply the U.S. market, the source will be a dependable one. The Government of Mauritius is a friendly and stable one. No one there has yet said, "Yankee, Go Home," and no one is likely to.

To demonstrate how unfairly the administration formula would affect the interests of Mauritius, let me point out that in response to the needs of the United States in the latter half of 1963 the island of Mauritius supplied 67,000 tons of sugar at a time when world market prices exceeded those in the United States. Then, late in 1963, the Department of Agriculture invited applications for global quota sugar in 1964. The Department indicated that it would give priority to supplies which could reach the United States during the first 7 months of 1964, but because Mauritius had shipped practically its entire uncommitted reserve at the end of 1963, it could not make a definitive commitment for the first 7 months of 1964.

Nevertheless, on January 14, 1964, Mauritius informed the Department of Agriculture that it would be prepared to apply for a set-aside to ship about 60,000 tons for delivery from mid-September onward, conditioned only upon the crops not being adversely affected by cyclone damage. For reasons stated by the Department in its reply, Mauritius' application was not entertained and the 1964 requirements were fully subscribed by January 27.

I am appending to my report copies of the Mauritius offer and the Department's reply.

If the committee were disposed to accept the formula proposed by the administration, then I submit that the offer of Mauritius to ship 60,000 tons in 1964 certainly should be taken into account and given the double weight which the Department has applied to actual shipments in that year. If this were done, the percentage proposed by the administration for Mauritius would be increased to 1.15 percent. This would mean that the quota for Mauritius could be in the area of 60,000 tons.

A substantial quota for Mauritius will not only be an aid to a developing territory, but also will be a stimulant for our own economy. Many of the dollars earned by Mauritius would be returned to the U.S. economy through Mauritius' increased purchases here.

In 1962, the House Agriculture Committee allotted to Mauritius a combined quota of 110,000 tons. But Mauritius received no such quota in that year, the allocation having been dropped from the Sugar Act Amendments of 1962 as they were finally approved. In 1963, when world market prices were substantially higher than United States prices, Mauritius shipped some 66,617 short tons of sugar to the United States under the global quota provisions of the act. In fact, Mauritius, of all the countries having no quota, was the largest supplier of sugar to the United States in that year. It had shipped 13,474 short tons of sugar to the United States under the same provision in 1962.

In 1965, the Secretary of Agriculture has administratively allocated a quota to Mauritius which, with the recent amendments he has made, amounts to about 16,000 short tons.

The formula adopted by the House in H.R. 11135 would allocate to Mauritius a quota of a little more than 14,000 short tons for the next 5 years. This proposal, I submit, does not do justice to Mauritius, having regard both to its status as the 10th largest world sugar supplier and its dependence upon sugar for its livelihood.

I recognize that, traditionally, the U.S. Government has, as indeed it should, given preference to the countries of the Western Hemisphere, and I do not propose that the United States should abandon this traditional policy. But I urge that the United States in the past has looked outside the Western Hemisphere for suppliers of sugar, and I submit that when it does, it should give very favorable consideration to Mauritius.

I believe that a fair quota for this sugar island now emerging into strategic importance in the Indian Ocean should be from 62,000 to 75,000 short tons per annum over the next 5 years. In my first submission to the House Agriculture Committee, I advocated a quota of 120,000 tons which would be consistent with both Mauritius' ability to supply, and the considerations which led to an allocation of 110,000 tons by the House in 1962. I realize, however, that such a demand may not be wholly realistic, and accordingly, I have revised my views.

I am grateful to the committee for this opportunity to make these representations to the committee. I thank you.

(The following letters and supplemental statement were submitted by Mr. Earnest:)

MAURITIUS CHAMBER OF AGRICULTURE,
OFFICE OF THE LONDON REPRESENTATIVE,
London, January 14, 1964.

TOM O. MURPHY, Esq.,
Director, Sugar Policy Staff,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. MURPHY: It may have come to your attention that Mauritius has not yet applied for a set-aside of global quota sugar for 1964 although we have already declared our intentions so to do. As you no doubt remember, we supplied about 60,000 tons of global quota sugar to the United States in 1963—although we were about the only sugar-producing country in the world, save Cuba, not to have been granted any share of the basic quota. It is still our intention to supply about the same quantity of sugar to the United States in 1964, and I thought I would drop you a line to let you know why we have so far made no move about it.

As you know, our next sugar crop starts in July, and we are hoping to produce another big crop; we are, unfortunately, still not through what is known in Mauritius as the cyclone season, which extends up to about April, and during which we can be visited by hurricanes, with the possibility that our crop estimate might be reduced—which God forbid. We felt it safer, therefore, not to commit ourselves for sugar which we might not be absolutely sure to supply, as we are left with virtually no uncommitted carryover from last year.

We would, of course, be prepared to apply now for a set-aside for up to about 60,000 tons for delivery from mid-September onward, conditional only upon no visitations by major hurricanes or other calamities. This condition would be waived immediately the cyclone season is over, at latest by the first of May next. I do not know whether the U.S. Department of Agriculture regulations would allow such a condition to be included in the set-aside application; if they did, we would be happy to go forward now with our applications.

I thought I would explain these circumstances to you, and reiterate our desire to supply sugar to your market this year, either against global quota or, even better, against an allocation of basic quota which, as you know, we are still very anxious to obtain; this would remove an anomaly which hurts us and which, I know, was not deliberately engineered by the U.S. authorities.

With kind regards,

Yours sincerely,

A. GUY SAUZIER.

JANUARY 17, 1964.

A. GUY SAUZIER, Esq.,
Mauritius Chamber of Agriculture,
London, England.

DEAR MR. SAUZIER: It was very pleasant to hear from you again. I also appreciate the information in your letter of January 14.

I wish I had a worthwhile suggestion to offer to you for coping with your dilemma. I recognize, however, that Mauritius is a small island and it either is not in the path of a cyclone or if in the path the sugarcane crop suffers substantial damage. This is the one most difficult situation facing an area or rather those people in an area such as yours who must estimate production and arrange for marketings. The only thought that does cross my mind, for what it may be worth, is the possibility that you might offer a smaller quantity—say half of the 60,000 tons—if you are sure of some export availability from the late crop and are not committed for other marketings.

In any event, I thank you for your courtesy in keeping me informed as to your situation.

With kind regards,
Sincerely yours,

Director, Sugar Policy Staff.

SUPPLEMENTAL STATEMENT OF JAMES M. EARNEST, COUNSEL FOR THE MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE, ON LEGISLATION TO AMEND THE SUGAR ACT OF 1948, AS AMENDED

Mr. Chairman and members of the committee, my name is James M. Earnest; I am a practicing attorney, and my offices are in the Woodward Building in this city. I represent the Mauritius Chamber of Agriculture, and the Mauritius Sugar Syndicate. The syndicate is a statutory organization which controls the marketing of sugar on the island of Mauritius and which, together with the people of Mauritius and the people of the United States, has a very vital stake in the legislative revision of the U.S. sugar program.

I. IDENTIFICATION OF MAURITIUS

Geography

Mauritius is a pear-shaped island of volcanic origin in the Indian Ocean, lying about 550 miles east of Madagascar and about 1,600 miles east of the African mainland. The island has several low mountain ranges and numerous rivers and streams. The land rises gradually from the coast to form an inland plateau. The dimensions of the island are approximately 38 miles in length (roughly north-south) and 29 miles in width; its area is about 720 square miles, which is slightly more than 10 times the area of the District of Columbia and a little more than one-half the area of Rhode Island.

Lying far from any landmass, Mauritius has a moderate, maritime climate, tropical during the summer and subtropical during the winter. The mean annual temperature is 74° F. at sea level and 67° F. at 2,000 feet. The climate and soil of Mauritius are well suited to the cultivation of sugarcane and the island is a "sugar island" to an even greater extent than Barbados or any West Indian island. Over 45 percent of its total area is planted with sugar; and sugar represents 98 percent of the total value of its export trade.

More than 730,000 people, or somewhat more than 1,000 people per square mile, inhabit this island. Port Louis is the capital, and is the main town and port. Less than 20 miles inland, and on the plateau is Curepipe, the second largest town which is much used as a residential district owing to its cooler climate.

Mauritius is a vital link on the sea and air routes to the Far East and Australia. It has a good harbor which can easily accommodate 10 ships. Mauritius serves as an operational stop on the air route between Africa and Australia, and is the terminus of services operated by BOAC and Air France from Europe and Africa. Its airport now offers facilities for large jets.

Political

The Portuguese discovered Mauritius early in the 16th century. It was then uninhabited, though it was known to the Arabs and Malays, who had used the island for centuries for a shelter. The Dutch took possession of the island in

1598 and named it Mauritius after Prince Maurice of Nassau. The Dutch finally abandoned their attempt to settle the island in the early years of the 18th century. A more successful attempt at settlement was made by the French East India Co., which later surrendered its administration to the French Government. The French occupied the island, which they called Ile de France, for nearly a century and established the sugar industry there.

During the Napoleonic wars, Mauritius was the base for damaging raids on British ships on the Indian Ocean, and in 1810 the British organized an expedition which resulted in the capture of the island. Mauritius and its dependencies were ceded to Britain under the terms of the Treaty of Paris in 1814. The island was then renamed Mauritius by the British and has remained a British colony ever since.

Because of its geographical position and natural harbor, Mauritius, until the middle of the 19th century, was mainly regarded as an important military outpost. With the opening of the Suez Canal and the progressive elimination of sailing ships by steam power, the economy of the island became more dependent on its entrepot trade and its gradually developing sugar industry, which, by the end of the 19th century, was producing about 200,000 tons of sugar annually.

Politically, Mauritius is a crown colony of the United Kingdom, which enjoys a large measure of internal self-government. It has undergone a gradual constitutional evolution since 1948. The ministerial system was adopted in 1957 and universal adult suffrage was introduced in 1959. Under the order in council of 1964, the Government of Mauritius is vested in a Governor with a Council of Ministers and a legislative assembly. The legislative assembly is made up of 40 elected members and certain ex officio and appointed members.

The Council of Ministers is made up of the Premier, the Chief Secretary and not less than 10 or more than 13 members of the legislative assembly appointed by the Governor after consultation with the Premier.

Local government is vested in a municipal council (established in 1850 for Port Louis), four town councils, and several district village councils.

A number of small islands, from 200 to 1,200 miles to the east and northeast are dependencies of Mauritius. The most important of these, economically, is Rodriguez, lying 350 miles to the east with an area of 40 square miles and a population of some 18,000. Other Mauritius dependencies are coming into prominence as potential United States-United Kingdom military bases.

Although there is some movement toward independence and full autonomy there is very little likelihood that Mauritius will completely sever its political ties with the United Kingdom.

Economic importance

The Mauritius economy is exclusively agricultural. While there are some small industrial establishments catering primarily to local needs, there is no possibility of industrial development of Mauritius on any significant scale. More than one-half the island's food supply is imported from overseas, and this includes the staple food for most of the population, mainly rice. Though diversification of the economy is agreed to be desirable, sugar is likely to be the island's mainstay for many years to come.

The economy of Mauritius developed rather slowly during the first half of the 20th century, or until the end of World War II. After that time, and with the introduction of the negotiated-price quota for sugar exported to the United Kingdom, sugar production increased in 10 years from 300,000 tons annually to almost 600,000 tons, and it is expected that production in 1965 will be in excess of 700,000 tons. By 1970 Mauritius sugar production should exceed 850,000 tons annually.

Over 45 percent of the area of the island is now planted with sugar and a slow but steady expansion in sugar acreage has taken place in recent years. There are 23 large estates growing sugar, each with its own factory. There are also some 25,000 small growers with holdings ranging in size from over 100 acres to as little as one-quarter acre. The cane produced on the small holdings is sold to factories at prices fixed by the central control board appointed by the Government. Payment is made on the basis of 68 percent of the value to the grower and 32 percent to the factory. Additional increases in the production of sugar can probably be made in the small holdings where the yield per acre is about two-thirds that of the large estates.

Mauritius today is one of the 10 largest exporters of sugar and sugar industry byproducts. It is estimated by the Mauritius Chamber of Agriculture that in 1966 Mauritius will have available for export 750,000 tons of raw, cane sugar. By

1969 the tonnage available for export should be approximately 820,000 short tons of raw, cane sugar.

In its trade with the United States, Mauritius has traditionally procured more from the United States, in terms of shipped value, than it has sold to the United States. This pattern is not true for the year 1963 in which year Mauritius shipped a large quantity of sugar to the United States, but for most all other years for which we have reliable figures, Mauritius imports from the United States have far outreached her exports to the United States. This balance of trade between the United States and Mauritius has generally been more favorable for the United States than for Mauritius. According to the latest census data contained in the FT-420 series reports published by the Bureau of Census, Mauritius has purchased chiefly machinery and transport equipment, chemicals, and tobaccos from the United States. These are commodities which are not generally sold at world prices and Mauritius has paid full value for them.

Political and strategic importance

Mauritius is an island of democracy in the southwest Indian Ocean. Only 550 miles east of Madagascar and 1,600 miles away from the African East Coast, it stands as one of the more important beacons of political freedom achieved through orderly development. Should Mauritius achieve full and complete independence from the United Kingdom, the measured orderly pace of its development is certain to result in a continuing, stable, democratic government.

Lying astride important trade routes in the Indian Ocean, it is reclaiming a strategic importance which, as above noted, with the advent of the steamship and the Suez Canal, waned in the middle of the 19th century. Mauritius can play an important role in the development of United States-United Kingdom bases in the Indian Ocean. With an airport large enough to accommodate large jet transports, and lying athwart principal air routes serving Europe, Africa, and the Australian Continent, it becomes a vital link in the aerial navigation of this quarter of the globe. Moreover, and quite recently, Mauritius has served as a base for tracking stations in the Indian Ocean for our manned satellites. Plans are also underway for setting up a joint United States-United Kingdom nuclear detecting station.

II. MAURITIUS SUGAR TRADE WITH THE UNITED STATES

Mauritius sugar trade generally

Sugar, with its products (mainly molasses), constitute 98 percent of Mauritius exports in value. About 30,000 short tons of sugar are consumed locally, and the balance of Mauritius sugar production is available for its export trade.

In 1964, under the Commonwealth Sugar Agreement, Mauritius sold 368,500 long tons, raw value, of sugar to the United Kingdom at a negotiated sterling price which works out to roughly \$115.66 per short ton, cost, insurance, and freight, United Kingdom, or the equivalent of \$0.05733 per pound. The comparable U.S. price during the same period, according to Wall Street Journal, was \$0.0620.

The difference between sugar sold by Mauritius to the United Kingdom under this agreement and the U.S. preferential price in 1964 was thus a shade less than a half a cent per pound. Deducting the United States duty of \$0.00625, the United Kingdom price gave Mauritius a slightly higher return.

In 1965, according to an official of the Mauritius Chamber of Agriculture, Mauritius will sell 380,000 long tons, raw value, of sugar to the United Kingdom at a preferential price which is equivalent to \$0.0582 per pound, free on board and stowed. The current U.S. price for raw sugar is \$0.0670 per pound, but from this price there must be deducted duty of \$0.00625, freight of \$0.00595, and insurance, etc., of \$0.00150. The net return on sugar sold to the United States under Mauritius present allocation is therefore expected to be \$0.0533 per pound, free on board and stowed, which means that the net return to Mauritius per pound of sugar will be something less than a half cent more per pound for sugar sold to the United Kingdom under the Commonwealth Sugar Agreement, than will be the case for sugar sold to the United States under the 1965 quota.

In addition to the 380,000 long tons (420,000 short tons) which Mauritius will sell to the United Kingdom at a special price in 1965, it may export another 100,000 short tons to preferential markets at world prices plus duty preferences ranging from \$10 to \$15 per ton, making a total of approximately 521,000 short tons. Under the 1965 sugar quota for foreign countries, as determined by the Secretary of Agriculture, Mauritius has been allowed a U.S. quota of 15,430 short tons, raw value. This brings the total sugar which Mauritius will export to

preferential markets in the year 1965 to approximately 536,430 short tons, raw value. Mauritius production for 1965 is expected to be 730,000 short tons; deducting sugar which may be exported under preferential trade agreements (including the quota allocation to the United States) and sugar required for domestic consumption, in 1965, Mauritius will have an exportable surplus of approximately 164,000 short tons, raw value.

For the period 1966 through 1969, it is estimated that Mauritius production of raw sugar will increase to approximately 850,000 tons per annum and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum. This increase in sugar production is vital to the economy of Mauritius, for only by increasing sugar production can Mauritius expect to maintain its present standard of living, let alone improve it. In the immediate prewar period (1936-40) the natural increase of Mauritius population was about one-half of 1 percent per annum. By 1948 it had come up to nearly 2 percent, and a decade later it had reached 3 percent, at which level it has remained ever since without showing the least tendency to drop. If this rate of increase continues unchanged, the population of Mauritius will increase from its present 730,000 to more than 1 million by 1980. While the Government has attempted various measures to diversify the economy of Mauritius and to establish new consumer industries, the country must still rely upon its agriculture and agricultural industries as the mainstay of its economy. Sugar is the one crop which, over many years, has proved its ability to meet the economic needs of its country. It is by no accident that sugar has come to occupy such a large place in the economy of Mauritius. Since the early days of French occupation many crops have been grown in an effort to diversify the economy of the island. None of them, however, has been able to compete with sugar in respect to (a) economic return, (b) resistance to cyclones and drought, (c) adaptability to climate and soil, in fact few of them have ever contributed more than marginally to the economy of the country, and sometimes for brief periods only.

It should not be assumed that this great dependence upon sugar is welcome in Mauritius. Despite the fact that little success has been made in the development of new agricultural crops, continuing efforts have been and are constantly being made to achieve some measure of crop diversification. Most successful has been the cultivation of tea with the result that in 1963 about 2 million pounds of tea were grown for export and plans have been made to develop three new processing plants during the period 1965-71 to handle increased production of tea.

The development of new industry, apart from small industries catering principally to local needs, is almost precluded by Mauritius peculiar geography. With no mineral resources, the development of any manufacturing industry for export trade would be hampered by the fact that all of the raw materials for any such industry would have to be imported. Moreover, no significant industrial development could be contemplated unless there were some expectation of a remunerated export market. But Mauritius could hardly expect to compete with the great island manufacturing countries of Britain and Japan, and the cost of importing raw materials and processing them for reexport would be prohibitive.

It follows from the foregoing, therefore, that willy-nilly Mauritius must rely upon an expansion of its sugar production and sugar export trade to support its swelling population.

In 1962, for the first time, Mauritius exported sugar to the United States. The quantity exported in that year was 13,474 short tons, raw value, and the value of the sugar exported was approximately \$1,932,000 or roughly \$0.0563 per pound after deducting duty, freight, and insurance. In 1963, Mauritius shipped approximately 66,617 short tons of sugar to the United States for a total value of roughly \$10,038,000 or roughly \$0.0613 per pound after deducting duty, freight, and insurance. Mauritius shipped no sugar to the United States in 1964.

Outside the Commonwealth and the United States, Mauritius since 1959 has exported sugar to Lebanon, Japan, Korea, and the Seychelles.

Mauritius trade with the United States

Mauritius must import most of its requirements of manufacturing and consumer goods and a large portion of its food requirements, including rice (which is the staple diet of the bulk of the population), flour, meat, and many other items. Generally foodstuffs have not figured importantly in the U.S. exports to Mauritius. In 1963, the value of the U.S. exports to Mauritius was approximately \$2,026,667, foodstuffs accounted for only \$47,943 of which rice was the

most important item. Mauritius imported in that year over \$161,000 worth of tobacco, and nearly \$129,000 worth of chemical products. In the same year U.S. exports of machinery and transportation equipment to Mauritius were valued at \$1,558,033.

In 1964, Mauritius imported from the United States foodstuffs valued at approximately \$83,817, of which nearly one-half was rice. In the same year tobacco manufactures and unmanufactured tobacco accounted for \$189,144; chemical products valued at \$246,299, and machinery and transport equipment valued at \$1,074,140 were imported from the United States. Miscellaneous manufactures accounted for \$64,787. Total imports were \$2,388,000.

In the years 1959-61 Mauritius imports from the United States have generally been approximately five times the value of Mauritius exports to the United States. In 1962 and 1963, this pattern was reversed by Mauritius exports of sugar to the United States but the statistics for 1964 reflects imports from the United States nearly double Mauritius exports to the United States. It will thus be seen that the relationship between Mauritius and the United States has resulted in a favorable balance of trade for the United States and an unfavorable balance of trade for Mauritius.

In its trade with the United States, Mauritius has enjoyed no particular trade advantages. While the sugar it sold to the United States in 1962 and 1963 was sold at U.S. preferential prices, in 1963 sales were effected when the world price for sugar was substantially higher than the U.S. preferential prices. Mauritius has not benefited from any world or discount prices in its purchases from the United States. Here it should be noted that although Mauritius must import a substantial part of its food requirements, its food procurements in the United States are relatively insignificant. It is in this area that most countries trading with the United States have been able to obtain an advantageous price for commodities purchased from the United States.

Though unusually dependent on one single crop to sustain its economy, Mauritius has always managed to pay its own way, even though it has from time to time been compelled to seek financial assistance from Great Britain and the International Bank for Reconstruction and Development. It, therefore, has not in the past sought any preferential treatment in its trade relation with the United States.

Mauritius and the 1962 Sugar Act

Public Law 87-535, now known as the Sugar Act Amendments of 1962, became effective July 13, 1962. This act made no provisions for the allocation of any quota for Mauritius. Nevertheless the House Agricultural Committee had recommended, and the House of Representatives had approved, an allocation of 10,000 tons basic quota and 100,000 tons reallocation from the Cuban reserves. After extensive hearings in the Senate Finance Committee on H.R. 12154, the recommendations of the House were modified with the result that the quotas proposed to be adopted under H.R. 12154 were reduced for all foreign suppliers, and in addition, no quota allocation was made for Mauritius and Argentina.

Subsequently, provision was made to accommodate Argentina by means of an amendment to the Sugar Act which was made in the course of a debate on the "Honey Bee" bill (7 USCA 281) which gave the President authority to allocate up to 150,000 tons from the former Cuban reserves to any country within the Western Hemisphere, 7 USCA 1112(c) (4) (B). The result of this legislation left Mauritius as the only significant foreign supplier excluded from the provisions of the Sugar Act Amendments of 1962.

Notwithstanding that Mauritius was not allotted a quota under the revision of the Sugar Act, in an endeavor to demonstrate its good will and its ability to meet the requirements of the U.S. sugar market, Mauritius availed itself of a provision for a global quota to be allocated to foreign suppliers on a first-come, first-served basis, 7 USCA 1114(a). In the second half of 1962 pursuant to the provisions of the aforesaid section, Mauritius shipped 13,474 tons of global quota sugar to the United States and in the second half of 1963, 66,617 tons. At this time the world market price was considerably higher than the price then obtainable on the U.S. market.

Later in 1963 the Secretary of Agriculture invited applications for global quota sugar for 1964 in the amount of 1 million tons to meet an estimated requirement of 1½ million tons. In announcing this allocation the Secretary indicated that priority would be given to suppliers able to ship sugar to the United States during the first 7 months of the year. By reason of its shipment in the latter part of 1963, Mauritius at this time had no uncommitted sugar left

over from its 1963 crop, and was unable to export any sugar to the United States for the first 7 months of 1964. Under these circumstances in the latter part of 1963 Mauritius was unable to apply for a sugar quota set-aside. Nevertheless, by letter dated January 14, 1964, the Mauritius Chamber of Agriculture apprised the Department of Agriculture of the fact that Mauritius would be able to supply about 60,000 short tons of sugar in the second half of 1964 and was willing to enter into a commitment to do so subject only to the condition that the 1964 crops were not damaged by a cyclone. The application was not entertained, and by January 27, 1964, the extra requirement was fully subscribed. Mauritius had no further opportunity to make a substantial shipment to the United States in that year.

Mauritius and 1965 sugar legislation

Congress once again has under consideration renewal and revision of the U.S. sugar program. This system, which is so vital to the stability and protection of domestic sugar prices, also operates to stabilize the sugar trade of a large portion of the free world. The effect of the quota allocations on the economies of the applicant countries is beyond any question a salutary one.

That the benefits conferred through the quota system are appreciated by them is readily apparent from the representations which are being made before this distinguished committee. There is no question that the distinguished gentlemen appearing before this committee are seeking economic aid for the countries which they represent. I do no less than they.

The relief most of us seek is an outlet for an exportable surplus of sugar which, if not sold to the United States at the prices established under the quota system, would either be left unsold or dumped on the so-called world market.

The world market is a deceptive term. In 1962 it was estimated that world sugar consumption amounted to about 57.5 million tons per year. Of this amount, about 40 million tons were said to be consumed in the areas where it is produced. And in most producing areas, because of the essentiality of the product, it is produced under some form of national control, bounty, or subsidy system as in the United States.

About 17.5 million tons of sugar were said to be consumed outside the areas where it is produced. Although sugar trade statistics reflect exports in excess of this amount, the trade statistics include substantial reexports from European refineries.

Of the 17.5 million tons which moved from the areas where it was produced to areas where it was consumed, about 8 million tons moved from French and Portuguese overseas areas to the mother countries, or were traded under the preferential terms of the Commonwealth Sugar Agreement and the U.S. sugar program. This left not quite 10 million tons for trading in the so-called world market. About half of that total, in 1962, was Cuban sugar exported to Communist bloc countries for barter at a negotiated nominal price.

The world free market, exclusive of Cuban sugar, was estimated in 1962 to be a 5-million-ton residual, representing chiefly sugar uncommitted to any program. In 1965, it is estimated that the Cuban sugar available for trade with bloc countries will be nearly 6 million tons, or 2 million tons more than was produced in the 1964 crop year. The residual, world free market will undoubtedly likewise be somewhat greater than it was in 1962, but its composition will be roughly the raw sugar produced in excess of the requirements of the major sugar programs.

The world free market is not a stable market. During the Suez and Hungarian crises of 1956 and 1957, the world market price nearly doubled in 60 days time, and over the whole period rose from a differential of \$2.07 per 100 pounds below the U.S. price to a differential of \$1.34 above the U.S. price. Similar fluctuations were noted in 1950 and 1951, and more recently, in 1963 and 1964, when it became apparent that world stocks were diminishing to an alarming degree. World buyers became excited; the world market began to advance spectacularly and because of the global features of the U.S. Sugar Act, the impact of the great advance in world market prices was felt in the U.S. market where prices also skyrocketed. In 1963 the U.S. average price for raw sugar was 8.19 cents per pound compared with an average price of 6.293 cents in 1961 and an average price of 6.452 cents per pound in 1962. In 1963, the world price of sugar advanced to nearly 3.5 cents per pound over U.S. prices, and for the year, averaged nearly 1.2 cents per pound in excess of U.S. prices. In the third quarter of that year both world and U.S. prices plunged precipitately, only to be followed by a resumption of the advance, and for the first half of 1964, world market prices again exceeded U.S. prices by more

than 1 cent per pound. In the latter half of the year, world market prices again plunged downward, and by the first part of 1965, over 3½ cents per pound below U.S. prices.

If the U.S. foreign procurement, as determined and announced by the Secretary of Agriculture on February 15 last were added to the world free market, an additional 2.3 million tons would be subject to the fluctuations of this market. Currently, world market prices are substantially below the cost of producing and warehousing a pound of sugar in the areas of production. This is true because the world market represents the excess of production over programed requirements. Some people call it homeless sugar.

Without any significant realinement of markets, U.S. procurements in the world market would initially be at substantially lower levels than present U.S. prices. Realistically, however, (economic experts would predict that there would be a realinement of markets with the result that the combination of the nonbloc world market with the U.S. import market might result in price levels higher than the present world market price, yet still be subject to the fluctuations above noted.

The basic purposes of the U.S. sugar programs are said to be (1) make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States without the consumer penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring an adequate and stable supply of sugar.

The application of Mauritius for a statutory sugar quota fits in with these basis objectives of the U.S. sugar program. Mauritius has been producing sugar for three centuries, has developed a highly efficient sugar producing industry and today is one of the 10 largest world exporters of sugar. It is endowed with a friendly and stable government and has developed a supply of sugar which can reasonably be expected to be stable.

No country in the world depends upon sugar for its livelihood to the same degree as Mauritius. Sugar represents 98 percent of the total value of its export trade. With an ever increasing population, in order to maintain its standard of living, Mauritius must find outlets for increasing quantities of its principal crop.

But in Mauritius, as in most countries, the cost of producing and warehousing a pound of sugar is currently far in excess of the so-called world market price for sugar. To suggest that this outlet could be had by dumping its excess sugar on the world market, is no solution for the problems of Mauritius.

The mere fact that Mauritius has a demographic problem which can be solved only by increasing its outlets for sugar, does not, of course, justify the allocation of a quota. But Mauritius is one of the developing territories of the world which occupies a strategic position of some importance in the Indian Ocean. Some of its island dependencies will undoubtedly be joint United States-United Kingdom military bases. It is already one of the more important satellite tracking stations. It is one of the territories which therefore particularly deserves the assistance which the United States has pledged itself to give to developing territories. Taking the form of a sugar quota allotment, the assistance which the United States can render to Mauritius will not only benefit Mauritius, but being consistent with the basic objectives of the U.S. sugar program will be of assistance to the United States in stabilizing its sugar supplies and domestic sugar industry.

In further justification of an allotment to Mauritius, it should be pointed out that Mauritius has demonstrated its ability to ship sugar to the United States; that notwithstanding the fact that Mauritius was denied a quota in the 1962 sugar legislation (although it was at first proposed to make a quota available to Mauritius) Mauritius shipped considerable quantities of sugar to the United States in 1962 and 1963 at a time when world prices exceeded those it could and did obtain in the U.S. market. The single selling agency, the Mauritius Sugar Syndicate coordinates the sugar policy of the entire country so that sugar can be shipped as and when required. From the foregoing it is evident that Mauritius has the capacity to provide a continuing and stable supply of sugar for the United States.

The next question we get to is how much sugar should Mauritius be called upon to supply. When the Secretary of Agriculture made his administrative determination of the 1965 quota, he adopted a formula which gave single weight to imports in 1963 and double weight to exports in 1964. Although Mauritius had shipped comparatively large quantities of sugar to the United States in 1963,

as I have explained before, Mauritius was unable to make a commitment for the first 7 months of 1964. Since the Secretary of Agriculture could not accept a conditional commitment, Mauritius had no opportunity to ship sugar to the United States in 1964. Had Mauritius withheld its shipment of nearly 67,000 tons in the last half of 1963 until early in 1964, obviously it would have been accorded a large quota for 1965. While I do not expect that this fact, in and of itself, will serve as a justification for allocating a larger quota to Mauritius, I do think it demonstrates that, in the case of Mauritius, predicated a quota exclusively on the basis of prior shipments would operate unfairly. If the quota allocation for Mauritius proposed in the original version of H.R. 12154 in 1962 had been sustained, the shipments which Mauritius would have been able to make in 1964 would clearly have resulted in the determination of a considerably more substantial quota allocation to Mauritius in 1965.

Although Mauritius shipped sugar to the United States for the first time only in 1962 it has nevertheless traded with the United States over a considerable period of time, procuring from the United States chemicals, tobacco, and machinery, and has a long history of friendly trade relations, notwithstanding that trade between the two countries has generally tended to favor the United States.

I submit that a quota allocation to Mauritius ought to be predicated upon the factors of the country's political stability, the stability of its supply and the capacity of Mauritius to produce. Mauritius is not a country about to be overrun by Communists and its political traditions are not of the same degree of volatility as are those of the countries of the Western Hemisphere. While Mauritius experiences a need to earn dollars to sustain and increase if possible its standard of living, the staid and orderly development of its political democracy augurs well for its long-term ability to satisfy in part U.S. requirements.

How much quota? It is estimated that Mauritius will have over and above sugar to be sold under its preferential arrangements, including its allocation under the Secretary of Agriculture's determination, and domestic consumption, an exportable surplus of approximately 164,000 short tons, raw value this year. For the period 1966 to 1969 it is estimated that Mauritius production of raw sugar will increase to 850,000 tons and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum which will give Mauritius an annual exportable surplus of some 280,000 short tons. There is virtually no likelihood that Mauritius quota under the Commonwealth Sugar Agreement will be increased, as the United Kingdom market is already fully committed. Mauritius will therefore have in addition to Commonwealth sugar commitments and in addition to its domestic consumption requirements an annual exportable surplus ranging from approximately 164,000 short tons in 1965 to approximately 280,000 short tons by 1969. Some of this of course will be diverted to the so-called world market, where it is expected that between 5 and 8 millions tons of "homeless sugar" will be found.

An annual U.S. quota of approximately 120,000 tons would be fair and reasonable. While there is no trade precedent for a quota of this magnitude, I think it fair to point out that in the proposed legislation for 1962 Mauritius was accorded a basic quota of 10,000 tons and a reallocation from the Cuban quota of 100,000 tons, or all together a quota of 110,000 tons. Since that time both production and consumption of sugar have been expanded and the suggested quota of 120,000 tons annually is commensurate both with Mauritius status as a world sugar exporter and a proposed allocation made by the House of Representatives in 1962. Such an allocation would result in an annual income to Mauritius at present prices of approximately \$12,800,000 per year, which would be a tremendous boost for the economy of Mauritius. It would enable Mauritius to maintain and develop its trade relations with the United States and would facilitate the purchase of substantial quantities of wheat from the United States. One of the reasons Mauritius has not purchased significant quantities of U.S. wheat is the high freight cost. But if Mauritius exports sugar to the United States in the quantities proposed, it will be able to obtain substantial economies in the shipping rates for wheat on the return voyages. The allocation of a sugar quota of this size to Mauritius would not only further the basic objectives of the U.S. sugar program but would also offer the United States an additional outlet for its wheat production.

Senator LONG. Thank you very much Mr. Earnest.

The committee will meet at 9 o'clock tomorrow morning.

(Whereupon, at 5:45 p.m., the committee was recessed, to reconvene at 9 a.m., Friday, October 15, 1965.)

SUGAR

FRIDAY, OCTOBER 15, 1965

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 9 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long presiding.

Present: Senators Long, Douglas, Talmadge, Williams, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

Senator LONG. The first witness today is Mr. John Bleke.

STATEMENT OF JOHN H. BLEKE, EXECUTIVE VICE PRESIDENT AND MANAGER, WAYNE CANDIES; MEMBER, NATIONAL CON- FECTIONERS ASSOCIATION

Mr. BLEKE. Mr. Chairman, my name is John Bleke. I am executive vice president and manager of Wayne Candies, Fort Wayne, Ind., and I appear as a member of the Washington Committee of the National Confectioners Association, which is the national trade association of candy manufacturers and suppliers of goods and services to the industry. Our manufacturer members produce approximately 85 percent of the candy manufactured in the United States.

IMPORT QUOTAS ON CONFECTIONERY AND POSSIBLY OTHER SUGAR-CONTAIN- ING PRODUCTS TO PREVENT A DEFEATING OF THE PURPOSES OF THE SUGAR ACT

Section 206 of the current Sugar Act authorizes under certain conditions the imposition of import quotas on sugar-containing products in order to prevent a defeating of the purposes of the Sugar Act. The language of this section of the current act is ambiguous, and we are pleased that improved language is now being recommended by the administration.

Imported confectionery and chocolate have been a serious problem for the candy industry for many years. Each year the quantity imported has increased. Imports of confectionery and sweetened chocolate in 1948 totaled 4,121,000 pounds, in 1952 were 17,384,000 pounds, in 1956 totaled 37,621,438 pounds, in 1960 imports had increased to 59,554,765 pounds and by 1962 had further increased to 76,438,522 pounds. In 1963 a further advance was registered to 92,852,000 pounds and for 1964 imports totaled 106,799,000 pounds. Any American industry should have no right to object to fair competition, but this does not represent fair competition. When the policy of our Government results in our having to now pay more than three times as much for

sugar as it may be purchased by our foreign competitors when they are buying sugar for manufacture into confectionery for shipment into the United States, we contend that this represents unfair competition and a defeating of the purposes of the Sugar Act. Our foreign competitors may now acquire raw sugar at approximately 2 cents per pound. Our own domestic spot raw price now is 6.85 cents per pound. Fortunately, the spread is not always this great. To eliminate this unfair competition, we seek special import restrictions and this is to request the committee in the committee report to let it be known clearly that it intends for the provisions of section 206 authorizing restrictions on sugar-containing products to be implemented to prevent unfair competition of the nature now confronting the candy industry rather than to have the section continue as mere words without any application.

We are pleased that the House Agriculture Committee included language of this nature in its House Report 1046. Your attention is invited to page 14 of the committee report which provides as follows:

Confectionery imports.—Section 206 of the Sugar Act provides for the imposition of import limitations on sugar-containing products under certain conditions. The language of the current law, the committee feels, is ambiguous and would be difficult to apply. Therefore this bill contains a revision of this section.

A number of sugar-containing products, because of their nature, are not conducive to importing. However, a problem exists in reference to confectionery and chocolate. Imports are and have been increasing steadily for some years. In 1964 over 106 million pounds were imported.

Recent world raw spot price sugar quotations have been approximately 1.75 cents per pound. Contrasted to this is a domestic spot raw price of approximately 6.75 cents per pound. When foreign manufacturers of confectionery manufacture products for shipment to the United States they are able to acquire world price sugar for this purpose. With any such price spread, a most serious competitive situation is presented to the domestic confectionery industry, and the committee suggests that immediate consideration be given to the establishment of limitations on imports of confectionery and chocolate.

As I indicated, we are hopeful that the Finance Committee will include similar language in its report to the Senate. Additionally, I would like to point out, however, that we believe the time element to be particularly important. As these imports continue to increase, naturally the economic interest of the foreign suppliers of confectionery increases as does their feeling of a vested interest in the U.S. market. Therefore, we think it important that an import quota on confectionery and sugar be made effective at an early date to avoid the contention on the part of foreign suppliers that they have acquired such a vested interest.

SOURCE OF U.S. SUGAR SUPPLY

Different circumstances involving a particular matter require different handling. All the circumstances involving sugar some years ago were so different from the circumstances prevailing today, as well as those possibly occurring in the future, to require a different approach and handling of the sugar problem than was practiced some years ago. We all recall when Cuba supplied 96 percent of all the sugar we obtained from foreign sources other than the Philippines. Our mainland beet and cane producers provided the smallest part of our supplies. When we needed extra sugar on short notice, an increase in the consumption estimate would bring supplies into the United States from Cuba as almost inexhaustible reserve within a few days.

Cuba is no longer with us as a sugar supplier, and as much as we would like otherwise, we think everyone will acknowledge that there is not a single source of foreign offshore supply which may be depended upon absolutely.

In making this statement, we have in mind possible dock strikes, Communist takeovers of producing countries, outbreak of hostilities in a particular producing area, or widespread hostility, which would affect shipping lanes in general. Therefore, while there was a basis for the U.S. sugar policy of some years ago when we acquired much of our sugar supplies from foreign sources, we recognize the changing circumstances and approve of the change in the U.S. sugar policy which has resulted in our acquiring an increasing portion of our sugar requirements from domestic producing sources. We urge that this policy be continued.

Sugar is such a vital commodity to both industrial America and also for home consumption that every effort should be made to assure the availability of a continuous adequate supply. We know that the various segments of the industry worked long and hard over a period of many months to develop an agreement which the administrative branch of the Government largely supports; and, therefore, we think it should be favorably considered by the committee.

FOREIGN COUNTRY QUOTAS RATHER THAN A GLOBAL QUOTA

We feel as most others seem to feel that we should obtain what sugar we do acquire from foreign sources on an individual country quota basis rather than a global quota basis so that our foreign supplies will have definite sources of responsibility rather than being the responsibility of no country.

STOCKPILE RESERVE

Lastly, we would like to present to you a recommendation which has been developed by our industry after long and careful study. We have approved it from the standpoint of critical analysis. It has been discussed with officials of the Agriculture and State Departments as well as the various segments of the domestic industry. Admittedly, it has not been embraced by any of them, although keen interest and strong sympathy have been indicated by some.

The Sugar Act is designed to provide fair prices to producers and adequate supplies at fair prices to consumers. It has succeeded fully in assuring those selling in the United States of a fair price to producers. Very beneficial language is written into the Sugar Act for domestic cane and beet producers, beet processors, cane refiners, and the foreign sources which sell their sugar in the U.S. market. Language is also written into the act for the benefit of consumers. The difference is that the language designed to help every segment of the industry is effective in accomplishing its objective except the language intended to benefit the consumer. In substance, the Sugar Act benefits producers as long as the world price is below the price objective of the Sugar Act. When the world price rises above the price objective of the Sugar Act, that is when the act should become effective for consumers, but that is when the act fails.

Currently, the world sugar market is at a very low level and producers are well protected, but it can and does fluctuate highly, and when the world price rises above the price objective of the Sugar Act, the real squeeze is on consumers. In this connection we have a proposal.

Our plan is to authorize our Government to acquire up to 500,000 tons of raw sugar on the world market when it may be acquired at a price at least 3 cents per pound below the price objective of the Sugar Act. Such sugar would be held and could be released only when the U.S. price should rise above the price objective of the Sugar Act; now, what are the advantages of this plan?

1. Most of the underdeveloped countries of the world produce sugar, and its export is important to their economies. When the world price is low, they are particularly in search of markets and in need of dollars. Our purchases at such times would be helpful to them.

2. It would in no way injure, threaten, or cause disruption to the marketing of sugar from our normal sources of supply. It is believed that some have questioned this proposal because of a fear of having sugar hanging over the market. Such a fear is unfounded because under the proposal the sugar could be released only when the U.S. price should rise to a level of one-quarter cent above the price objective of the Sugar Act. If, for example, there were sugar in the stockpile and the spot raw price were only slightly below the price objective of the Sugar Act, then the stockpile sugar still could not be released. The stockpile sugar could enter the market only if there were a genuine shortage of U.S. supply evidenced by the domestic raw price rising above the price objective of the Sugar Act.

3. It might not cost the Government anything. At present, admittedly, the world sugar price is at a very low level and possibly it would rise if the United States were to even gradually buy 500,000 tons for stockpiling. It is suggested, however, that at even 3, 4, or almost 5 cents per pound the Government could afford to pay inbound freight, storage, and domestic cartage cost and still not cost the Government money so long as the sugar were sold above the price objective of the Sugar Act within a reasonable time. We acknowledge that the word "stockpile" is causing unfavorable reaction by many because of the unsatisfactory experience of stockpiling U.S.-produced farm commodities. However, we respectfully submit that the circumstances involving sugar are entirely different from those involving other farm commodities and that whereas the results have been unfavorable in the case of these farm commodities, just the opposite would be true in the case of sugar because of the facts involved.

Let us apply some practical dollar arithmetic to this proposal. If our Government should acquire 500,000 tons of sugar under this proposal then this sugar when sold by the Government would be sold for approximately \$70 million which would reflect a price of a quarter of a cent per pound above the price objective of the Sugar Act. Now, what would this sugar cost us which ultimately would be disposed of for \$70 million? If this proposal were contained in the Sugar Act as it exists today we should then be able to buy sugar at 2 cents per pound or \$40 per ton or \$20 million for the 500,000 tons. Ocean freight at 1½ cents per pound would cost approximately \$15 million

making our total landed cost, assuming there would be no import duty, \$35 million. Carrying and storage costs admittedly would be substantial and estimated at 1.75 cents per pound, \$35 per ton, or \$17,500,000 per year for the 500,000 tons. Thus, if the Government acquired this sugar under these circumstances, held it for a year and sold it for \$70 million there would be a profit to the Government of approximately \$17,500,000. It could be held for up to 2 full years without any loss to the Government. If the Government should have to pay 3 cents per pound on the world market, it could still be carried more than a year without loss to the Government.

Recognizing that the world price for sugar is highly volatile, probably there would be times when the Government would make money and other times it would lose money. Over the long pull it should not cost the Government very much, if anything. If it should, however, cost the Government some money, it seems that since the consumers of this country most of the time must pay much more than the world market price for sugar (currently more than three times the world market price) and recognizing the Federal payments which are expended under the Sugar Act for the benefit of other segments of the industry, it seems to us that this is a very modest proposal in behalf of consumers.

4. Storage should not be a problem. It has been suggested that raw sugar will harden after an extended period of storage. However, this should not present a problem because if after the sugar acquired for the stockpile were held for a period of months, it then could be delivered to refiners and replaced on a pound-for-pound basis by sugar which otherwise would have been delivered to refiners. This procedure could be repeated several times if necessary.

5. Five hundred thousand tons should provide helpful protection for consumers. As is well known, a genuine shortage of sugar of just a few hundred thousand tons will cause unfortunate dislocations in the market. We believe a stockpile reserve of 500,000 tons would carry us through most sugar supply shortage problems.

When the world price increases above the price objective of our own Sugar Act, as the committee well knows, psychological effects take place. The speculators enter the market and the price rises all out of proportion to the shortage. The effects on the market because of a slight shortage are well known. At the same time, if it were known that there were 500,000 tons of sugar in the Government-held stockpile which could not be touched until a spot raw price of about 7 cents per pound were reached but that at that price it then would be released, there would be no interference with regular operations but it would serve to prevent panic and speculation. Had this been in effect in 1963 it might have prevented a most unfortunate sugar price supply problem.

WHY A SUGAR STOCKPILE WOULD BE DESIRABLE WHILE THE STOCKPILING OF OTHER FARM COMMODITIES HAS NOT BEEN SUCCESSFUL

The United States has had most unfortunate experiences stockpiling wheat, corn, cotton, and many other commodities. The United States is fully self-sufficient and then some in the production of these commodities. We have more than we need. Because of our price-

support policy, the U.S. price is higher than the world price, just as in the case of sugar but there the similarity ends. After the United States acquires its stockpile of corn, wheat, cotton, and other commodities at a high U.S.-supported and protected price and then wishes to dispose of such surpluses, it must be sold at a lower world price for export. In the case of sugar we are proposing that the United States buy on the world market only when the world market price is depressed and sell only in the U.S. market at a high price when the U.S. price is above the price objective of the Sugar Act. Restated, in the case of most farm commodities the United States buys in the U.S. market at the high U.S. price and then sells on the world market at the low world market price. In the case of sugar, under our proposal the United States would buy on the world market at the low world market price and then sell on the U.S. market at the high U.S. price.

Whereas the situation pertaining to sugar regarding stockpiling is far different from the circumstances pertaining to other U.S.-produced farm commodities concerning stockpiling, it is very similar to the situation concerning certain metals regarding stockpiling. As in the case of sugar, the United States is not self-sufficient regarding the production of many metals. Some years ago for defense purposes the United States acquired stockpiles of various metals. In the last 2 to 3 years consumption of certain of these metals has exceeded production, and if it were not for these Government-held stockpiles of lead, zinc, copper, and other metals, now determined to be in excess of defense needs, a quantity of each of which by acts of Congress have been released for industrial usage, very critical situations would have occurred in this country because of a shortage of these metals.

Sugar consumers need the protection of a stockpile reserve. To think that we will not again have a situation which will force the world market price above the domestic Sugar Act price objective is not reasonable thinking. Undoubtedly, it will occur again. Mr. John Crowe, vice president and general manager, Thurston Greene & Co., in an address delivered to the Food Industries' Buyers Group, National Association of Purchasing Agents, at their annual convention in New York on May 18 of this year stated as follows:

I have devoted considerable time to the world market, because you in the audience are interested in prices, and it will take a long time to forget what the world market did to us in 1963 and 1964. You will have nothing of major concern before you hold another convention in the summer of 1966, unless the world raw price again rises above the U.S. raw price. To say this cannot happen in the next 12 months, as did our Assistant Secretary of Agriculture in a speech last week, is foolish talk. Don't watch the figures which list how much sugar the world will produce in a crop year and how much will be on hand on August 31, 1965. The thing that establishes world price levels is the residual supply, and this tends to contract when prices are too low and expand when prices are high. To put it simply, low prices drive out of the residual market, countries which cannot sell at less than the cost of production, as well as those countries which only come in once in awhile to make a killing.

It is recognized that it is proposed that the foreign sources of supply, which are to be allotted the country quotas, be required to maintain a reserve for the U.S. market. Certainly this should be valuable, to which our proposal should serve as a backstop, but it is not the same having sugar on foreign soil in the hands of a government whose future is not certain with impediments to transportation which may be caused

by warlike activities and also dock strikes at our own ports of entry, as it is in having the sugar under U.S. control on our soil.

The current Sugar Act presents a planned economy in sugar whereby growers, processors, and foreign suppliers all are protected. In equity consumers also should be protected and particularly so since the proposal we advocate would help the underdeveloped countries, would not impede regular marketing operations, and might not cost the Government anything.

We urge your careful consideration of our recommendations.

Senator LONG. Thank you very much, Mr. Bleke. Senator Williams?

Senator WILLIAMS. No questions.

Mr. BLEKE. Thank you very much.

Senator LONG. The next witness will be Mr. Rudolph Miller, Imperial County Sugar Cane League.

STATEMENT OF RUDOLPH MILLER, REPRESENTING THE IMPERIAL COUNTY SUGARCANE LEAGUE

Mr. MILLER. Mr. Chairman and gentlemen, my name is Rudolph Miller; I live in El Centro, Calif. I have been farming in the Imperial Valley since 1919. However, I am not retired from active farming. I wish to thank this Committee for the courtesy to appear before them.

I am appearing before you on behalf of the Imperial County Sugar Cane League. We are respectfully requesting this committee to give serious consideration to the amendment to the Sugar Act which was adopted by the House Agriculture Committee, and which would allow the production of sugarcane for sugar in areas outside of Florida and Louisiana.

As I understand this amendment is now in H.R. 11135 as it was passed by the House.

Imperial County is located in the southeast corner of California, adjacent to Arizona on the east, Mexico on the south, San Diego County on the west, and Riverside County on the north.

Three-fourths of the area of the county is desert sand and rugged barren mountains. The remaining fourth, comprising about 1,000 square miles (640,000 acres) is the rich Imperial Valley, lying below sea level. Of this 640,000 acres, approximately 500,000 acres are presently producing crops.

The valley is irrigated by the Colorado River through the All-American Canal and its branches—which constitute the only source of water for all purposes since the annual rainfall in the area is less than 3 inches. The ample water supply fully controlled throughout a year-round growing season, with mean month temperatures ranging between 55° and 90°, has made the valley an intensive agricultural area of highly dependable productivity. Through years of persistent efforts, an exceptionally diversified farm economy has developed because the Imperial Valley has a deep and rich soil, the water, the sunshine, and farmers who have learned the intricacy of irrigated agriculture.

Results of trial plots at the Southwest Irrigation Field Station and numerous plantings by farmers—scattered over most of the cultivated

areas of the Imperial Valley, convinced us that cane can be produced for the extraction of commercially recoverable sugar.

We readily admit that we are not now in a position to grow this cane in large commercial plantings. However, since the Sugar Act now under consideration most likely will be for a period of 5 years, we would like to present our case at this time in the hope that Congress would extend the privilege of growing cane for sugar on the mainland beyond the two States which are now exclusively enjoying this right.

Farming in an all-irrigated area, with hot summers and mild winters, we have been searching for a crop which we can economically produce to replace some of the crops we have lost.

The production of flax for seed was, until just a few years ago, one of our major crops. Synthetic ingredients in paints have replaced the linseed oil, and the demand for this oil has dropped to a very small percentage of what it was just 10 years ago.

The Imperial County is known as the winter garden of America because we used to produce vegetables for shipment into eastern markets during the winter months. Producing fresh peas, green beans, and strawberries for winter shipment used to be some of our good crops. The frozen vegetable industry, however, has changed this completely. We have lost this market.

When Congress saw fit to cancel Public Law 78, the so-called bracero bill, we lost a good part of our labor force; and vegetables, melons, and watermelons that used to be produced in the Imperial Valley are now produced in the adjacent areas of northern Mexico, so we were forced to seek new crops.

The experimentations with sugarcane have been going on for about 14 years, and we believe we are very close to the breakthrough when we will be able to produce cane sugar commercially. The Holly Sugar Corp. has a mill in the Imperial Valley for the production of sugar from sugarbeets. This corporation is also interested in commercial production of sugar from cane to the extent that they are now participating in the experimental phase of the program. It is our understanding that their mill could be adapted to the processing of cane.

The west coast, and particularly southern California, is experiencing a tremendous population growth, and it can, therefore, be reasonably assumed that a ready market would exist for any additional sugar that we could produce. According to the Census Bureau, the rate of population increase for the 5-year period is 23.5 percent for Arizona, 11.2 percent for Utah, 54.2 percent for Nevada, and 18.4 percent for California.

On April 10, 1963, representatives of the Imperial County Sugar Cane League presented a request at a hearing before the Sugar Branch of the USDA for proportionate shares and a marketing quota for cane sugar. These people were received very courteously but were told that the Department of Agriculture was powerless to give them any proportionate shares or quota because the mainland production of sugar from cane was limited by law to the States of Florida and Louisiana.

It has never been our thinking to obtain a sugar quota from the now existing sugarcane-producing areas. Neither is it our intention to disturb the allocations as they are provided in H.R. 11135, a bill

to amend and extend the provision of the Sugar Act of 1948, as amended.

We are building our hopes on receiving a share of the reserve which would be created by the increased consumption of sugar due to the increase of population which would go into effect only after the U.S. yearly consumption of sugar reaches 10,400,000 tons of raw value sugar.

Mr. Chairman and gentlemen, we would like to file with your committee some additional information on the results of our experiments, the expected per acre yield of sugar as well as a chart explaining how we envision this amendment to work.

(The attachment referred to follows:)

National consumption level, 9,700,000 tons

<i>Area</i>	<i>Short tons, raw value</i>
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000
Philippines-----	1, 050, 000
Foreign imports-----	2, 260, 000
Total-----	9, 700, 000

If U.S. needs go beyond 9,700,000 tons, "developing countries" receive an increase up to 10,400,000 tons or 700,000 tons.

Any U.S. increased sugar requirements due to population increase beyond the 10,400,000 tons raw value sugar shall be divided:

	<i>Percent</i>
United States-----	65
Foreign-----	35

Our request is based on a percentage of this 65 percent U.S. apportionment.

SUGARCANE—A NEW CROP FOR IMPERIAL COUNTY?

Agricultural Extension Service, University of California, Imperial County,
El Centro

HISTORICAL BACKGROUND OF SUGARCANE

The history of sugarcane is almost as old as history itself. There is some disagreement as to just where sugarcane did develop. It is generally agreed, however, that its greatest distribution occurred from the Middle East. It may have been introduced into Java and the Philippines by the Chinese at the same time the Arabs were carrying it into Africa and southern Europe.

According to some researchers, there is evidence of the use of solid sugar about A.D. 500 in Persia. In the 9th and 10th centuries Egypt was engaging in commercial production of sugarcane, and sugar formed a large part of its commerce.

Columbus carried sugarcane into Santo Domingo in 1494, from where it spread into the West Indies and Central and South America. By 1600 the sugar industry in tropical America was the largest in the world.

Sugarcane production in Louisiana has been recorded since the middle of the 1700's. Today, most sugarcane produced for sugar in the United States is grown in Louisiana, Florida, Hawaii, and Puerto Rico.

SUGARCANE HISTORY IN IMPERIAL VALLEY

Just when the first sugarcane was planted in the Imperial Valley is not known definitely; however, an old note in the literature refers to sugarcane being grown in the Brawley area.

This cane, of unknown variety, came from Texas. The report further stated that it grew well except in areas "where the alkali was too strong." "This particular type of cane was very low in quality, having a percentage of sugar much less than a sugar beet. This characteristic probably will preclude the planting of this crop."

Sugarcane was planted on the Southwestern Irrigation Field Station, Brawley, in 1951. The results were rather discouraging, and very little was done with cane from 1951 to 1958. Cane was tried again on the Brawley station in 1958 with about 14 varieties planted. In 1959 Warren Brock contacted the U.S. Department of Agriculture for sugarcane varieties to be tried on the East Mesa Experimental Farm.

In the fall of 1959, Brock planted about 50 varieties of cane on the east mesa. Some of these have been extremely successful; other varieties have barely existed. Some have succumbed to the intense desert temperatures. Since Brock's original planting, some 120 varieties have been planted on the east mesa. Kenyon D. Beatty, research agronomist, Southwestern Irrigation Field Station, Brawley, Calif., assisted in the planting, observation, and evaluation of these experimental plantings. Mr. Beatty will continue to evaluate new varieties and conduct cultural trials.

In the summer of 1961, interest in sugarcane as a potential new crop for this area began to increase. Due largely to the enthusiasm of Victor V. Veysey and Warren Brock, in cooperation with the Agricultural Extension Service and the U.S. Department of Agriculture, cane plots were planted in farmers' fields in the late fall of 1961. These plots have met with varying degrees of success.

Some were of a variety primarily for "seedcane" increase. It was hoped to gain additional cultural information. Others of these plots were designed for further field evaluation.

Plots located on soils low in salt look very good. Plots on highly saline soils look poor. The salt content on these soils varied from an average high of 14.07 mmhos to an average low of 2.3 mmhos.

The variety which has shown most promise is N. Co. 310. This is the one that is most plentiful at this time. It is relatively high in sugar and yield. It is subject to lodging and is very susceptible to the mosaic virus. Some segments of the sugar industry feel that if the yield of cane reaches much over 40 tons per acre, the cane will lodge regardless of variety; however, this doesn't seem to hold in this area.

Some varieties with gross yields of around 150 tons per acre have not lodged extensively; other with very low yields have had extensive lodging. Other varieties in plots in growers' fields are N. Co. 293; N. Co. 376; Co. 285; Co. 312; C.P. 43-47; Co. 976; Co. 686; and Co. 973. The research into varieties is likely to continue for a good many years, both by government and private industry. Already, new varieties which are cold resistant are being developed as a result of the Florida freeze in the winter of 1962 and 1963. These are possibilities for the Imperial Valley.

CANE CULTURE IN IMPERIAL VALLEY

The three most important climatic factors in commercial production are temperature, light, and water. These are available in ample supply in the Imperial Valley.

It is recommended that cane be planted in rows on beds on 60-inch centers. Cane stalks are planted, and budding occurs at each node. It appears at this point that cutting the stalks into sections is a better practice than planting the entire stalk. The sectioning may be done before planting, but the easiest and fastest method seems to be cutting the stalk after it is laid in the furrow. A man can chop almost as rapidly as he can walk. The shorter sections (4 to 5 nodes) seem to result in better germination and also a neater job of planting, especially where seedcane is crooked.

Planting on the south side of an east-west bed results in faster emergence. There seems to be little difference in germination on the east or west side of a north-south bed.

Costs of production is essentially a guess, as there are no commercial acreages on which to base costs. The plots now growing still use large amounts of hand labor which will not be feasible on commercial fields.

As a starting point cane costs have been estimated. On the first year costs will run about \$325 per acre (rent not included). Costs for the succeeding years should be about \$235 per acre (again rent not included) because there is no land preparation, planting, or seedcane costs.

Plant growth varies somewhat in appearance and habit with varieties. Roots appear from root primordia or root bands. These take up water and nutrients, the buds swell forming primary shoots, these shoots then develop into the above ground stalks and leaves.

When the cane shoot develops its own root system, the first roots (on planted stalks) then decay. Suckers or stools develop. A stool from a single "eye," free of competition, may expand several feet in an 12- to 18-month period.

In Hawaii a cane stalk makes an average growth of about 12 feet per year. At the end of a 2-year season, some 40-foot stalks can be found.

Succeeding crops after first harvest come from underground buds. It is estimated that cane stands will have an average life of 4 years in Imperial County.

Composition

Sugarcane contains essentially the same sugar percentage as sugarbeets, running possibly a little less—about 13 to 15 percent sucrose. In addition, it has several byproducts of value to industry. For each ton of sugar produced, there is 1 ton of bagasse (crushed stalks), one-fourth ton of molasses, plus waxes, and acids used in the manufacture of plastics and other materials.

Soils

We can say that soils that produce good crops of alfalfa and flax should produce respectable crops of sugarcane. Salt will inhibit growth. Work is being done now by Dr. Leon Bernstein at the U.S. Salinity Laboratory, Riverside, Calif., to establish the salt tolerance of cane. However, we are suggesting planting on soils showing an electrical conductivity of not much over 4 mmhos. Soils of a borderline nature may allow fair to good growth the first year, but salt accumulation in the beds may prevent an acceptable stand the second year.

Water

An irrigation schedule of 5 to 8 days in hot weather is recommended—7 days on medium soil. Less frequent irrigation will be necessary in fall and spring.

Water requirements vary from 125:1 to 300:1 (125 grams water to produce 1 gram of dry material). Sugarcane has the ability to use dew and rain to replenish soil moisture to some extent. On irrigated soils in Hawaii, about 1 ton of water is needed to produce 1 pound of sugar. Cane grown in Imperial Valley may require more water than is needed in humid areas due to our higher temperatures and lower humidity.

Temperatures

Of the three major climatic factors, temperature and light cannot be readily separated. Sugarcane is a warm weather, sun-loving plant.

The optimum temperature of the root zone, for both growth and nutrient uptake, is 80° F. For germination of seed pieces, soil temperatures above 60° F. are required. This may have been the primary reason for poor stand in one of the 1961 farmer plots. Temperatures between 90° and 100° are optimum for germination. Temperatures above 100° are apt to be detrimental; temperatures below 70° will result in very slow germination. In the case of one particular variety (H32-S560), lowering the temperature from 78° to 71.5° added 10 days to the germination period.

The effects of temperature on germination, growth, and nutrient uptake may vary somewhat by variety. Previous fertilization practice, size of cane, and the number of buds will also affect germination.

Fertilization

We are suggesting 100 to 150 pounds of P_2O_5 and 200 to 250 pounds of N per acre. The P_2O_5 and about a third of the N should be preplant. The remaining N should be put on in late March or April and certainly prior to mid-June.

Pests and diseases

No important pests or diseases of cane have been observed in experimental plantings. There are two stalk boring insects, but neither has posed a threat to

successful cane production as yet. The lesser corn stalk borer occurs early in the season, and has been controlled with topical application of 2 percent endrin granules. The other borer, *Chilo loftini* (no common name), occurs late in the season and has been controlled by endrin or by cultural practices, chiefly sanitation. Cane growers are invited to consult with the farm advisers on pest problems.

An insect vector of sugarcane mosaic virus is known to be established in the Imperial Valley; however, the disease is not present in the area.

Farmers are warned not to bring in cane from other areas. There is a quarantine in effect which makes it illegal to import cane planting material. The valley should be maintained disease free as long as possible.

Weeds have been the major pest of cane, and growers have spent large amounts of money on hand weed control. However, in 1963, Atrazine at 3 pounds per acre gave very good weed control.

Ripening

Sugarcane loses moisture during its period of growth. In young cane the moisture content is around 83 percent; it will decline to about 73 percent in mature cane. While it is losing water, cane is also accumulating sucrose; therefore, it is essential in irrigated areas to cut off irrigation for a considerable period before harvest.

Late application of nitrogen will reduce the sucrose percentage. This ripening process is similar to that of sugarbeets in the Imperial Valley.

Yields

Sugarcane yields vary from variety to variety and from year to year. Yields with N. Co. 310, our most promising variety at this point, have run (on stubble) as high as 150 tons gross per acre with sugar yields up to almost 10 tons. CP 44-101, the cane with the second highest acreage in Louisiana, has yielded a little over 12.3 tons of sugar per acre. Another variety has given a gross yield of over 200 tons of cane, but sugar yield was not as high as with the other varieties.

These yields have been on small experimental plots, but they indicate the commercial production potential of cane. We believe that average yields of 65 tons of gross cane per acre are possible in the Imperial Valley.

The table below will give a comparison of yields of sugar per acre and tons of net stalks (stalk less tops and leaves) per acre on several plots in Imperial County and those of the State of Louisiana; for N. Co. 310 variety.

Planted	Net yield stalks T/A	Pounds of sugar/acre
Nelson Correll (1st year cane).....	49.6	8,700
V. V. Veysey (1st year cane).....	29.6	4,900
USDA Brawley Station:		
1st year cane.....	41.3	7,300
Ratoon cane.....	77.8	18,500
Louisiana:		
Light soil:		
Plant cane.....	30.5	6,400
1st ratoon.....	29.8	5,500
2d ratoon.....	25.4	4,600
Heavy soil:		
1st year cane.....	35.8	7,100
1st ratoon.....	29.1	5,600
2d ratoon.....	27.9	4,750

Harvesting

There are a few manufacturers that make cane harvesters. Some of these will probably be demonstrated in the valley in the fall of 1963.

SUGARCANE FOR FORAGE

Results of a feeding trial conducted at the Imperial Valley field station, Meloland, in 1963 by Dr. William N. Garrett, assistant animal husbandman, were not too encouraging. Cane silage, once opened, spoils rapidly. Even in the winter, when this trial was conducted, spoilage was rapid between the p.m. feeding and the a.m. feeding.

Dr. Garrett's trial indicated that cane silage had about 75-percent feed value of sorghum silage. George Worker, associate specialist in agronomy at the Imperial Valley field station currently is conducting forage tests with some varieties of cane not as suitable for sugar as N. Co. 310 and comparing them to other types of forages. Results will not be known for some time.

Warning

So far as we can determine, the Imperial Valley is free of the major diseases of sugarcane. Growers are urged not to bring in sugarcane from outside the county. Actually, the importation of cane into California is illegal. Plant quarantines are in force designed to prevent the entry and establishment of cane diseases and pests.

The only problems of concern at the present time are those of obtaining allotments to grow sugarcane and to sell the sugar. It would appear to be in the best interests of Imperial Valley growers to actively support an attempt to obtain sugarcane allotments for this area.

THE POLITICAL SITUATION

The USDA has already announced the lifting of acreage restrictions of sugarcane plantings for 1963. This, basically, is the reason for the tremendous amount of interest on the part of Imperial growers.

At this time the Imperial County Sugar Development Committee is doing everything possible to get cane allotments and marketing quotas for Imperial Valley.

(Prepared by Richard M. Hoover, farm adviser, Imperial County. Revised August 1963.)

Senator Long. Thank you very much.

Senator Williams?

The next witness will be Mr. William L. Shea of the Osceola Operating Corp., of Belle Glade, Fla.

Mr. Shea.

STATEMENT OF WILLIAM L. SHEA, ATTORNEY, OSCEOLA OPERATING CORP., BELLE GLADE, FLA.

MR. SHEA. Mr. Chairman and members of the committee, my name is William L. Shea, an attorney at law with offices at 1026 17th Street NW., Washington, D.C. I appreciate the opportunity to be allowed to testify before this distinguished committee in behalf of the Osceola Operating Corp., owner of the Big B Ranch located near Belle Glade in Palm Beach County, Fla. I also appreciate the fact that it is late in this session of Congress, so I will make my remarks as brief as possible.

I have been informed that this committee wishes to limit the number of witnesses and that all segments of the domestic cane and beet sugar producing and refining industry will be represented by Mr. Frank A. Kemp, president of the Great Western Sugar Co. We take exception to this representation because we are one of a number of prospective new mainland sugarcane growers located in Florida, and there are others in Louisiana and California, not to mention other farmers in the mainland United States who would like to grow beets.

Under the present Sugar Act there is no way a new sugar grower in the United States can get into the picture because he has no history. The old domestic growers and refiners, both cane and beet, propagate their monopoly whenever there is a deficit from any foreign quota country or whenever there is an increase in consumption. The balance is divided among other foreign suppliers under a rather complicated system. Why should they enjoy such a privileged position? Why

should such faraway foreign lands benefit from our increased domestic consumption? Are we going to have to depend on faraway foreign suppliers during the next war or emergency to furnish the United States with 35 to 40 percent of our needs?

Mr. Chairman and gentlemen, we respectfully request this committee to give serious consideration to the amendment to the Sugar Act which was recently adopted by the House Agriculture Committee in H.R. 11135. It begins on page 16, line 3, of H.R. 11135, Union Calendar Print No. 451, continuing through page 17. These provisions amend section 205 of the Sugar Act of 1948, as amended. Further, the above section is supplemented by amendments to section 302 of the Sugar Act of 1948, as amended, by section 10 of H.R. 11135 commencing on page 21 and continuing through page 25. You will note that we are not asking for a quota or an allotment for this year or next but only that the Secretary of Agriculture shall be authorized after 1966 to establish an allotment up to 25,000 short tons of sugar, raw value, for each such new domestic beet and mainland sugarcane area which would make it economically feasible to construct a new mill or factory in each area every 2 years. As now written, these allotments by the Secretary would not be made until 1967 or until after domestic consumption passed 10,400,000 tons per year. There we are not taking anything from anybody.

Thus far I have made a general argument in support of H.R. 11135. Now I would like to say a few words in support of our specific situation. Osceola Operating Corp. owns 30,000 acres of land centered about 14 miles southeast of the village of Belle Glade in Palm Beach County, Fla. Approximately 1,400 of these acres are presently planted in sugarcane. This puts Osceola in the category of being a small producer in comparison with the large corporate and cooperative producers in the Florida cane area. Our presence at these hearings is both as a small and new producer of sugarcane and also as one which seeks to become a much larger producer. Though we hope to become a competitor of those already producing cane, we have enough faith in sugarcane and its long-range future to believe that healthy competition will work to the advantage of the entire industry.

Our stockholders have made a substantial investment and a long-term commitment to produce sugarcane in Florida. Its 30,000 acres of land was acquired some years ago at a cost in excess of \$2 million but it was not until the spring of 1964 that we were able to complete preparation and development of sufficient land to permit us to plant 1,357 acres of seed cane. Until the Department of Agriculture, by release dated April 13, 1964, announced its intention to consider the need for establishing 1965 crop proportionate shares for farms in the mainland sugarcane areas of Florida and Louisiana, Osceola was prepared to invest an aggregate of over \$22 million. Osceola employed the services of sugar technicians, land development engineers and agricultural and financial experts to prepare a comprehensive program for the development of the ranch as a large integrated sugarcane plantation and mill with a production capacity annually of about 45,000 tons of raw cane sugar.

Under the supervision of a full-time staff, considerable improvements to the property have been made, all of which have required a further substantial capital investment. Perimeter water-control

dikes and bridges have been built. Fourteen miles of main canals are almost completed, as well as 28 miles of road. The land plus the improvements represents a major capital investment of well over \$7 million. We have been deprived of the right to put land in which substantial amounts have been invested, at the encouragement of the Government, to its most profitable use.

The original planting of 1,357 acres of cane was intended to provide us with seed cane for the planting of an additional 16,000 acres in the fall of 1964 for harvesting in the 1965-66 season. Our engineering, construction, and financing arrangements were completed last year. Osceola was and is ready to expand. In addition to providing employment for a number of workers and industries during the course of development of the property and construction of the mill, the planned mill and plantation was expected to employ over 100 persons permanently plus a harvest season payroll of up to 1,000 persons.

We did not go into this venture blindly. We invested the money because of the Government's urging that more sugar be produced in this country and its declaration that no acreage allotments were going to be placed through 1965. In May of 1963, when the Department of Agriculture rescinded 1963 crop proportionate shares and announced that the 1964 crop of sugarcane would not be restricted, world sugar stocks were very low and the world price of raw sugar was spiraling upward. Every conceivable green light was turned on that might entice more sugar into the American market.

The recommendation of the President of the United States that marketing restrictions on the sale of all domestically produced sugar be removed for 1964 was a part of his agricultural message to Congress transmitted on January 31, 1964. The pertinent portion of the President's message is as follows, and I quote:

4. *Sugar*.—The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved groundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.

However, the experience of the past year—and the fact that foreign sugar quotas expire at the end of 1964—highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.

I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall—early in this session—make recommendations for remedial legislation.

Of course, we realize that conditions have changed and we are not criticizing the Department for the action it took.

On May 1, 1964, we submitted a summary statement of our position to the Director of the Sugar Policy Staff, Department of Agriculture, in response to the initial announcement that the Department was considering the need for establishment of sugarcane acreage allotments for the 1965 crop year. In short, we stated that the Department should refrain from taking any action at that time to establish acreage allotments for the 1965 crop of mainland sugarcane. We felt that any restrictive administrative action should await the then pending hearings for an entire revision of the Sugar Act to reflect major changes in domestic and world supply and demand relationships.

We strongly favor increasing this country's self-sufficiency in meeting its sugar needs, and, therefore, we are opposed to a reduction in the production of sugar in the U.S. mainland. We believe the demonstrated success of mainland farmers in increasing production of both cane and beet sugar when called upon offers the best possible evidence to this position. The response of the American farmers to the need for increasing mainland production has been in every way beneficial within the intentions of the Sugar Act as spelled out in its preamble:

To protect the welfare of consumers of sugar and of those engaging in the domestic sugar producing industry.

We strongly urge that the mainland cane sugar industry, of which we are a member, be given continued opportunity for orderly growth; and, therefore, we are opposed to a reduction of the production of cane sugar. We offer the response of the Florida and Louisiana cane growers and cane producers over the last several years as the best evidence of their contribution to the major ends sought to be achieved under the Sugar Act.

Consistent with the above affirmations we believe that both the Federal laws and the administrative regulations augmenting those laws should provide the mainland cane industry (i) with fair prices, (ii) with adequate return on soundly invested and well-managed capital, and (iii) with a means for orderly expansion.

As a new producer, we emphasize the need for the sugarcane industry to be provided with a sound mechanism for expansion which will offer opportunity both to those who are presently engaged in the industry, either long established or of more recent vintage, and to those, such as ourselves, who give evidence of being competent to become new producers. It is in this regard that we have advanced the suggestion that new legislation provide for the creation of a tonnage or acreage reserve available to selected new cane sugar projects.

RECOMMENDED ACTION ON BEHALF OF NEW PRODUCERS

We maintain that the only sound and sensible way for the Secretary of Agriculture to truly "protect the interests" of the new and small producers of cane sugar is to build an economic unit of sufficient strength that independently it can withstand the pulls and drags of the volatile sugar market. Such a unit can be organized by the Secretary allotting each year to new and small cane sugar producers sufficient acreage to produce 25,000 short tons, raw value, of sugar. This new cane production allotment, if distributed to one area, would make the construction of a new mill every 2 years for milling the cane grown on such additional acreage an economically sound investment. Since the new cane production allotment would be insufficient to warrant construction of a new mill facility in one area in the first, third, and subsequent odd years, the allotment for such years could be either temporarily allotted by the Secretary to existing growers, or withheld by him from production, depending on his estimates of consumption requirements.

The new cane production allotment recommended above would not be taken away from the existing producers; there are two other sources which should provide ample acreage to satisfy this allotment. In the first place every year a number of sugar producing areas regularly fail

to meet their quota requirements. Rather than allocating these so-called deficiencies to existing producers, which only results in furthering the monopolies already in existence, we urge that such regular and recurring deficiencies be allocated on a permanent basis to the new cane production allotment. Secondly, it has been estimated that domestic consumption increases at the rate of 150,000 tons a year. Even if this figure is an exaggeration, the increase in domestic consumption is high enough to award 25,000 tons annually to new cane producers, taking into consideration the relative divisions between the foreign and domestic producers and between the beet and cane growers.

A new cane production allotment such as described above would have the effect of helping to (i) offset the discrimination which now exists in favor of new and old sugarbeet growers and old sugarcane growers, (ii) eliminate the monopoly now enjoyed by present sugarcane mills, and (iii) stabilize the sugar market and sugar prices by providing a source for increasing domestic productions.

CONCLUSION

We feel our recommendations would result in reasonable consumer sugar prices, reasonable selling prices for U.S. farmers, adequacy of an assured supply of domestically produced sugar, continued harmony of U.S. relations with sugar-producing foreign allies, and the conservation of U.S. gold and dollar balances. Our position does not conflict with or harm existing domestic sugar refining, sugarbeet-producing and sugarcane-producing industries.

Again I repeat that we are not urging that we be permitted to expand our cane production this year or next year, but we do urge that Osceola and all other new and small cane producers be given the right to look forward to entry and participation or increased participation in the cane sugar industry on an organized basis at some time in the future. We are perfectly willing to wait our turn; all we ask is that the Congress not permanently bar the door.

I thank you gentlemen for giving me the opportunity to express our views.

Senator LONG. Thank you very much.

Senator Williams?

Senator Talmadge?

Thank you very much, sir.

The next witness will be Mr. John Fleming Kelly, representing the National Sugar Manufacturing Co., of Sugar City, Colo.

STATEMENT OF JOHN FLEMING KELLY, GENERAL COUNSEL, NATIONAL SUGAR MANUFACTURING CO.

Mr. KELLY. Mr. Chairman and members of the committee, my name is John Fleming Kelly. I am an attorney in Denver, Colo., and general counsel of the National Sugar Manufacturing Co., of Sugar City, Colo. I appear here in behalf of National and its growers.

I have filed a prepared statement and with your permission I would like briefly to summarize that.

National's position and that of its growers is supported by Buckeye Sugars, Inc., of Ottawa, Ohio, and I am advised by its growers, too.

Buckeye and National are both single plant and single beet sugar processors. National urges that sugar legislation include provisions authorizing the Secretary to establish a marketing allotment for a single plant unaffiliated processor of sugarbeets at such level not to exceed 25,000 tons as is necessary for reasonably efficient operation and further authorizing the Secretary to make the necessary supporting acreage allotments.

Provisions to accomplish this are included in H.R. 11135 in sections 5 and 10 thereof, and for this purpose that bill establishes a national reserve of 25,000 tons from the beet quota. These provisions do not guarantee the processor a marketing allotment of 25,000 tons. They provide merely those marketing and acreage allotments up to 25,000 tons which the processor and its growers establish they can utilize.

These hardship provisions are essential if National is to continue in business.

During the past 3 years, Mr. Chairman and members of the committee, we have suffered in southeastern Colorado a very severe draught. The result of this has been that the planted, the beet planted acreage, harvested acreage, has been drastically curtailed, and consequently the marketing production of our company has fallen below what would be its normal level. We do not feel that the general provisions of the act, either the present act or as it would be extended under the proposed administration bill, provide the special relief which we need in order for a small company to stay in business, to continue to provide a cash crop or market for the cash crop of its growers, and for it to be the support that it has been to its community.

Our growers produce beets in southeastern Colorado and in western Kansas. Our payments to these growers in the past 5 years have aggregated about \$5 million. We are the only practical market for most of our growers. If National cannot operate at an economic level, we must close our doors, our growers will consequently lose their only outlet for this cash crop of sugarbeets, and losing that not only will they have to seek another cash crop but they will lose substantial investments in beet machinery.

We are one of the largest supporters from the private segment for the economy of our area. We are the second largest taxpayer in Crowley, Colo.

Our factory payroll in the past 5 years has aggregated about \$2 million. Thus it is fair to say, I think, that without National, without the contribution to the economy which we make in our area of Kansas and Colorado, the community there will be sorely tested to survive.

What we are asking for is not a special advantage, a guarantee for the growers or for ourselves. We simply want the Sugar Act to contain provisions which will enable the small processor and its growers to remain a part of the domestic sugarbeet industry.

Thank you.

(The prepared statement of Mr. Kelly follows:)

SUPPLEMENTAL STATEMENT OF JOHN FLEMING KELLY, GENERAL COUNSEL, NATIONAL SUGAR MANUFACTURING CO.

Mr. Chairman and members of the committee, my name is John Fleming Kelly. I am an attorney in Denver, Colo., and serve as general counsel of the National Sugar Manufacturing Co. I appear here today on behalf of National and its growers.

The National Sugar Manufacturing Co. is located in Sugar City, Colo., where it has operated its sole processing plant since 1900. National is the smallest processor of sugarbeets in the United States. It provides the only accessible market for many growers of sugarbeets in eastern Colorado and western Kansas. National is the second largest property taxpayer in Crowley County, Colo., and ranks first or second as the county's largest employer. Payments by National to beet growers for the past 5 years have aggregated about \$4,600,000, and in the same time National's factory payroll has aggregated about \$1,800,000. This vital support by private industry to the economy of southeastern Colorado and western Kansas is in real danger of disappearing unless Congress comes to the aid with the legislation we suggest.

For the reasons which I will outline, National urges that any legislation enacted by this Congress concerning sugar incorporate provisions to insure the continued existence of the small, unaffiliated, single-plant company upon whom many growers depend. Such provisions have been included in sections 5 and 10 of H.R. 11135.

In the form in which that bill passed the House, section 205 is amended to authorize the Secretary, in making allotments of the beet quota, to take into consideration the need for establishing an allotment, not to exceed 25,000 short tons, which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single-plant processor of sugarbeets. Further in H.R. 11135, section 302 is amended to authorize the Secretary to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than 25,000 short tons from each crop to provide any nonaffiliated single-plant processor with an estimated quota of sugar for marketing of not to exceed 25,000 short tons.

These provisions are sometimes referred to as the beet hardship provisions of H.R. 11135. In addition to being supported by National, they are also supported by Buckeye Sugars, Inc., of Ottawa, Ohio, another unaffiliated single-plant company.

Without these provisions, National will be held at uneconomical levels of marketing and production. It thus may eventually be forced to shut down operations entirely, leaving growers without a market for their sugarbeets. Thus, what National is requesting is not a special advantage for its growers or for itself. National simply wants the Sugar Act to contain provisions which will enable small processors and their growers to remain part of the domestic sugarbeet industry. The bill guarantees growers in many foreign countries the right to continue to participate in the American market, and I certainly feel that an equal right should be given to American farmers.

The danger is real that the Sugar Act as it now stands, or if amended without the addition of the beet hardship provisions, would not allow National to continue to serve as a market for its growers in eastern Colorado and western Kansas. For the 1965 crop year National anticipates production of approximately 7,500 short tons of sugar, raw value, from about 4,000 acres. Under the present marketing allotments, National will be permitted to market about 8,000 short tons in 1965, out of a total current quota for domestic sugarbeet processors of 2,650,000 short tons. This amounts to slightly less than one-third of 1 percent of the total allotment. Part of the reason for National's tiny share of the market is due to the fact that its growers are in an area which has been affected by severe drought conditions for the past several years. Even this year the rains came too late to aid germination or prevent winds from blowing away newly planted crops. While growers in other parts of the country were rapidly expanding their acreage and improving their "history," National's growers were in many cases forced drastically to reduce their acreage due to lack of water.

For example, in Crowley County, Colo., National could normally expect its growers to harvest at least 2,000 acres of beets, while in the 1964 campaign only about 200 acres were harvested there. The Sugar Act has protected the past history of many of National's growers by permitting the growers to receive credit for "prevented" acreage due to drought, but this has not fully allowed such growers to participate in the growth of the market. Thus, while other processors have improved their marketing history, National has lost ground during these years. Under the general provisions of the bill, and without the beet hard-

ship provisions, there would be no opportunity for National to regain that ground, at least as long as acreage and marketing restrictions are in force.¹

The result of this is that National's plant is presently producing at a level far below that generally considered as efficient in the industry. At the 1962 hearings it was emphasized by all parties that a 50,000 short ton allocation was necessary to encourage investment in a new plant. Mr. Kemp, in presenting the industry's views at that hearing said:

"* * * 50,000 tons is 1 million bags of sugar of 100 pounds each. Now, 1 million bags of sugar is more than the average productivity of the American beet sugar factory at present. The average of the factories of my company is not as high as 1 million bags. This higher quantity was thought necessary because under the extremely high cost of construction today a plant has to be big enough, has to be automated enough to justify its cost."²

And the House report on that bill agreed that 50,000 tons was the amount necessary for a new plant, as it stated:

"The reasonableness of this figure is confirmed by three facts: (1) The average production of the 61 beet sugar plants in operation in 1961 in the United States was less than 800,000 hundred pound bags of sugar. (2) A study by an independent, reputable engineering firm recently recommended to interested producers in one of the important sugarbeet producing areas the economic feasibility of a factory with a capacity slightly under 1 million bags. (3) Even in areas where conditions might suggest the feasibility of a plant having a larger capacity, it is generally recognized that a 1 million bag output would be adequate to underwrite successfully the initiation of such a plant."³

To illustrate the growth of the market in just these few years, it is worth noting that in 1964 over 61 million bags of beetsugar were processed by 64 beet-sugar factories, for an average of 960,000 bags, compared to less than 800,000 just 3 years earlier. Some members of the industry have indicated that a 50,000-ton annual production is not enough for a new plant. National is unable to comment on the cost problems of such a plant. I do know, however, that our own cost studies, carried out by an independent engineering firm, clearly show that our present level of production is uneconomical. Our present estimate is that National must process at least 12,000 short tons of sugar to break even, and that a substantially larger amount would be necessary to earn a fair rate of return on investment. This minimum figure was confirmed by the request of the Holly Sugar Corp., at Department of Agriculture hearings in September of 1962 for acreage sufficient to expand its Delta, Colo., plant to a production of about 28,000 tons to "* * * insure a basis for an economically feasible operation."

¹ National, with its present plant capacity, is capable of processing far more sugarbeets than it is now allowed to contract for and market. In the 1964 crop year National processed 146,706 hundredweight of sugar in a campaign lasting 62 days. In contrast, in 1962 National processed 280,280 hundredweight, or nearly twice as much sugar, by extending its campaign to 103 days. In both years the tons of beets sliced per day were about the same; 103 days does not represent an unrealistic length of time to operate such a plant in Colorado. The factory nearest National's plant operated for 142 days in 1962 and for about 120 days in 1964. At present plant capacity, in a 140-day campaign National could process 384,000 hundredweight. Furthermore, engineering studies indicate that for \$1 million National can effectively modernize its plant and increase its daily slicing capacity from its present 1,100 to 1,600 tons per day, which would permit further production increases and cost reductions. National's production for the past 10 calendar years is as follows:

	Bags (hundredweight)	Short tons, raw value
1955.....	55,147	2,952
1956.....	75,555	4,045
1957.....	126,400	6,767
1958.....	173,120	9,268
1959.....	201,120	10,767
1960.....	270,670	14,490
1961.....	173,040	9,263
1962.....	280,280	15,004
1963.....	132,130	7,073
1964.....	146,706	7,854

² Hearings before the Committee on Agriculture of the House of Representatives on H.R. 11730, 87th Cong., 2d sess., ser. 2, at 31.

³ H. Rept. 1829, 87th Cong., 2d sess., at 4.

Thus nothing can be more obvious than the fact that National cannot continue to operate at its present level of production, which is about the level it would be tied to for the foreseeable future without the beet hardship provisions. And as costs continue to increase, it is certain that if small businesses are to remain in existence, they must be allowed to produce a tonnage above the present bare break-even point. We are in agreement with Buckeye Sugars that 25,000 tons is a reasonable figure which should allow a single-plant company, operated efficiently, to make a fair return on its investment during the coming years.

In view of the fact that National only expects to produce about 7,500 tons of sugar in 1965, you may wonder why we are requesting permission to process up to 25,000 tons. Please bear in mind that we are only asking that the Secretary be authorized to grant an allotment of up to 25,000 tons to unaffiliated single-plant companies, not that he be ordered to do so, regardless of ability to utilize that amount. I will be the first to admit that National would not be able to utilize all of a 25,000-ton allotment next year. It can, however, increase production considerably merely by extending its campaign, which has been one of the shortest in the industry in recent years. Its campaign could be nearly doubled in length if it could contract for additional sugarbeet acreage, and thus double 1964 production; 15,000 tons production is quite feasible with present plant capacity. Nor is such a crop beyond the realm of probability. The moisture of this summer, while too late to increase the size of 1965 acreage, has restored growers' confidence in the Arkansas Valley area, and assures a supply of irrigation water for next year. The Fryingpan-Arkansas project will help to stabilize moisture conditions.

Furthermore, with its present marketing allotment, it is very difficult for National to secure permanent financing. Additional capital would allow National to continue plant modernization and reduce costs to a level near the industry average. Such capital will only become available when an opportunity to produce and market a larger amount of sugar is afforded National.

While I am obviously concerned over the survival of National from a personal point of view, the committee should be concerned with its survival for other reasons. Perhaps the most important of these reasons is that National's growers would be unable to find another market for their sugarbeets, and would be forced out of production, their production history notwithstanding.

Most of the sugarbeets which National processes are beets which would not and could not be processed by any other factory. Beets grown for National in Kansas and Colorado are grown on property convenient to the Missouri Pacific Railroad right-of-way, and thus, from the standpoint of freight costs, can be shipped only to National's factory at Sugar City. Shipment to Rocky Ford would require shipment to Pueblo on the Missouri Pacific and a backhaul on the Santa Fe, adding approximately 100 miles to the shipping distance, the cost of which would have to be absorbed by the growers. While Great Western Sugar Co. contracts for some beets in Kansas, it is similarly interested in only those beets grown in locations convenient to its receiving stations on the Union Pacific, and it is very unlikely that it would contract for any substantial part of the beets now grown for National.

Thus, if National is forced to close because of inability to operate at an economic level, its growers in Kansas and Colorado will lose their only practical market for their sugarbeets. In being forced out of the business they will lose their investment in expensive beet machinery. For these farmers sugarbeets represent the only practical cash crop, and without it few of them will be able to justify the substantial investments they have made in developing wells for crop irrigation.

Another important reason for taking the necessary measures to allow small, unaffiliated single-plant companies to remain in the beet sugar industry is the present competitive posture of this industry. The sugar refining industry has been the subject of a number of antitrust suits which indicate that the past performance of this industry has not always satisfied the competitive standards of the antitrust laws. Part of these troubles stem from the high degree of market control possessed by a few giant companies. In 1964 the four largest beet sugar processors processed two-thirds of the domestic beet sugar crop; the six largest companies processed over 88 percent of the crop. Last year there were only a dozen companies in the beet sugar processing business; with the introduction of Empire Sugar Co., a subsidiary of Pepsi-Cola, in New York State, and a new company in Maine as a result of the expansion reserve provisions of the 1962 amendments, there will be 14 companies. The other allocations for new factories made by the Secretary under those provisions did not improve the competitive

picture, since they went to three of the largest companies: Holly, American Crystal, and Spreckles.

Thus the Secretary's administration of the expansion reserve provisions of the 1962 amendments did little to decrease concentration. In fact, by adding new plants and protected allotments to the empires of the industry's giants, the trend toward increased size and concentration was accentuated. This disparity in size and economic power has caused the shutdown of a substantial number of beet sugar companies in the last 15 years. That trend seems destined to continue, with all beet sugar processing eventually in the hands of a few multifactory companies, unless Congress acts to stem the tide. In order to preserve some competitive vitality in this industry, the Sugar Act must not tie the hands of small competitors so that survival is impossible. To pass a sugar bill without the beet hardship provisions would do just that, and National feels certain that this committee, once made aware of the problem, will never allow such a situation to arise.

We realize that, regardless of the committee's natural sympathy for the plight of the small processor and its growers, it is still a difficult matter to reallocate production and marketing allotments to achieve this end. As a cash crop, sugarbeets are in great demand throughout the United States. We have no desire to see any other grower suffer in order to aid our own growers. Actually, a very modest amount of sugar would be needed to grant the protection we ask. For Buckeye Sugars, the only other firm which would be affected by this proposal, the lowest quota that its management can anticipate under this bill is about 18,000 tons, which means that only 7,000 additional tons would be needed to allow it the protection we suggest. For National, with a presently anticipated 1966 allotment of roughly 9,000 short tons, another 16,000 short tons might eventually be necessary. Together, Buckeye and National might require 23,000 short tons under our proposal. This is less than 1 percent of the present basic beet marketing quota.

In closing, I would like to emphasize that I make this request not only on behalf of National, but on behalf of its growers. If National were eventually forced to shut its doors because it was not allowed to operate at a level of production which is efficient and which would enable it to earn a fair return on its investment, National's shareholders would not be the only persons injured. Hundreds of small farmers who have invested heavily in beet equipment, and in wells to irrigate their farms, would be without a market for sugarbeets, which represents the only cash crop grown in this area which is not already in surplus. The heavy investment made by these growers in developing irrigation water cannot be justified unless they can grow a crop such as sugarbeets. Moreover, the economy of an entire area of the Nation would be seriously and adversely affected.

To be sure, growers would technically retain their acreage allotments even after their sugar processor has disappeared. But what good is an allotment when there is no market for the beets? An acreage allotment is meaningless unless the grower can also market his beets. Without the beet hardship provisions, the Sugar Act would actually discriminate against National's growers, by depriving them of a market for their beets and forcing them out of the beet sugar business.

I would also like to emphasize that this does not represent a situation that has arisen through any fault of National's or its growers. Both National and its growers have been plagued by the most severe drought they have experienced in 30 years, and have made every effort to keep production high. This is not a situation where either National or its growers have voluntarily placed themselves at a disadvantage, but one where nature has prevented greater plantings. We do not feel that the Sugar Act should further penalize National and its growers, but should allow them to recover their position now that the drought has been broken.

National and Buckeye are very small companies in an industry of corporate giants. Their growers are relatively few in number compared to the thousands who grow for larger companies. I hope that they will not be ignored because of their numbers and size, for they represent the small farmer and the small business which Congress has in the past always encouraged. We trust that you will not enact a bill which would drive them out of business, simply because they are small.

On behalf of a small factory and its growers, may I urge your favorable consideration.

Senator LONG. Senator Williams?

Senator WILLIAMS. Assuming that is included in the bill, what provisions are there in the bill or in the act that would assure a reasonable portion of that would pass through to the producer of these beets, the farmer. Under this proposal, you would have a captive group of suppliers, the farmers. If they didn't like your prices, couldn't they say, "We will go somewhere else."

You have captive customers. What assurance do we have that these customers would be protected and get their proportionate part of this market?

Mr. KELLY. The Department of Agriculture, sir, under the general provisions of the act, has reviewed the price structure paid by the companies to its growers during the years and have established these have been fair and it is necessary for the company to receive its share of, certain proportionate share of, payments.

Most of our contracts with our growers are on a 50-50 basis, so that the grower shares equally with us in the net return on sugar. This is the standard contract in processing in our area.

Senator WILLIAMS. When you say 50-50, how do you figure that?

Mr. KELLY. It is done on the net return on the sugar contained in the beets which are delivered by the particular grower. It depends on both a sample of his beets and by an audit of the company's books.

Senator WILLIAMS. And 50 percent of your profits of the company net are passed back?

Mr. KELLY. Yes, sir; 50 percent of the net return on the sugar contained in the beets which that grower delivers to the company.

Senator WILLIAMS. Does your company or do the processors in areas actually produce these beets on their own farms?

Mr. KELLY. Some processors do. We produce very little.

Senator WILLIAMS. What would prevent this from becoming an integrated unit with a market furnished by the Government where the producers would be left out in their entirety. Do they have any protection under this?

Mr. KELLY. Yes, sir, I think they do. The contract between a beet processor and its growers is a rather hotly negotiated document each year, and the grower is represented by his association. The processor by someone from the management team, and there are always points of difference. From my experience, the producers, the growers, have never been at a disadvantage at the bargaining table.

Senator WILLIAMS. I am not suggesting that they are. But you do have a captive group of customers or suppliers. I think you would agree there is this possibility there that the processor may decide to move over and produce a substantial part of his own needs in which event is there any protection, that you would not cut out, Joe, Tom, Dick, and Harry who have been producing?

Mr. KELLY. Yes, sir; because I am sure that the Department under the other provisions of the bill would not be making the proportionate share payment to the producer as a processor unless the price which it paid to the independent growers was a fair one.

Senator WILLIAMS. That is the question. Are there provisions in this bill which would restrict you where they could legally stop you from doing it?

Mr. KELLY. Yes, sir; I think so.

Senator WILLIAMS. If they were not, you would not have any objections to their being included in the bill.

Mr. KELLY. No, Senator.

Senator LONG. Senator Talmadge?

Thank you very much, sir.

Mr. KELLY. Thank you.

Senator LONG. I place in the record a statement by Mr. Gunnar Fromen, on behalf of Buckeye Sugars, Inc., endorsing the statement which has just been made by Mr. Kelly.

(The statement follows:)

MEMORANDUM ON BEHALF OF BUCKEYE SUGARS, INC., OTTAWA, OHIO, AND ITS SUGARBEET FARMERS, SUBMITTED BY GUNNAR FROMEN

Buckeye Sugars, Inc., and its sugarbeet farmers (Buckeye) are in favor of H.R. 11135 as passed by the House. H.R. 11135 contains provisions for a so-called national reserve, in which Buckeye has a vital interest. It is the purpose of this memorandum to outline its reasons therefor.

1. To remain economically sound, Buckeye needs to grow, process, and market at least 25,000 tons of sugar annually, and the national reserve provision in H.R. 11135 gives Buckeye this protection. To reach this needed capacity the company has spent \$1,500,000 in the last 5 years. Buckeye's production is comparatively small when one considers that the average size of beet-processing plants in the industry is 50,000 tons, and that new plants which came into being under the acreage reserve provisions of the Sugar Act of 1948, as amended in 1962, were allotted a 50,000-ton quota.

2. Without the national reserve provision of H.R. 11135, Buckeye's quota will be about 18,000 tons in 1965 and perhaps 22,000 in 1966 because of its earlier history. Possible acreage allotments in the future may reduce its beet acreage.

3. The national reserve provision of H.R. 11135 does not guarantee small independent companies such as Buckeye anything, but only an opportunity to produce and market 25,000 tons of sugar annually. This cannot be prejudicial to the rest of the industry, as Buckeye represents less than 1 percent of U.S. beet sugar production and marketing. See attached tabulation. It will only permit Buckeye to survive and to market sugar with the larger companies.

4. The Senate bill fails to recognize the needs of the small, independent sugarbeet processing companies, and embodies only the wishes of the larger companies. The House has seen the need for protecting the small beet processors such as Buckeye, and has acted accordingly.

5. Buckeye's farmers and workers depend on this business for their livelihood. They have no other plant in which to process their beets economically.

Effect of H.R. 11135 on U.S. beet sugar companies

	Market allotment				Proration to national reserve of H. R. 11135 to provide for Buckeye Sugars, Inc.	
	Present law		H. R. 11135			
	Tons ¹	Percent of total	Tons ¹	Tons increase ¹	1965 (tons)	1966 (tons)
1. The Great Western Sugar Co.....	629,000	23.7	717,000	88,000	1,800	700
2. Holly Sugar Corp.....	442,400	16.7	505,200	62,800	1,300	500
3. Spreckels Sugar Co., Division of American Sugar Co. ²	409,000	15.4	465,800	56,800	1,200	500
4. Amalgamated Sugar Co.....	323,300	12.2	369,000	45,700	900	400
5. American Crystal Sugar Co.....	286,400	10.8	326,700	40,300	800	300
6. Utah-Idaho Sugar Co.-Layton Sugar Co.....	272,600	10.3	311,600	39,000	800	300
7. Union Sugar, Division of Consolidated Foods ³	132,300	5.0	151,200	18,900	400	150
8. Michigan Sugar Co.....	83,400	3.2	96,800	13,400	200	100
9. Monitor Sugar, Division Rob. Gage Coal Co. ³	40,300	1.5	45,400	5,100	100	45
10. Buckeye Sugars, Inc. ³	15,300	.6	18,100	2,800		
11. The National Sugar Manufacturing Co. ³	8,000	.3	9,100	1,100		
12. Empire State Sugar Co. ⁴	8,000	.3	9,100	1,100		
Total.....	2,650,000	100.0	3,025,000	375,000	7,500	3,000

¹ Short tons raw value, rounded figures without giving effect to national reserve provisions of H. R. 11135.

² Largest raw cane sugar refining company.

³ Nonaffiliated single-plant company.

⁴ Plant under construction in fall of 1965. Subsidiary of Pepsi-Cola which owns and operates a raw cane sugar refinery.

Senator LONG. The next witness is Mr. George Grant representing the Ministry of Industry of Thailand.

Mr. Grant, you have a statement here we will have printed in full and I will ask you to summarize your statement because you won't be able to read your whole statement in the time allotted to you.

STATEMENT OF GEORGE GRANT, REPRESENTING THE MINISTRY OF INDUSTRY OF THAILAND

Mr. GRANT. Thank you very much, Mr. Chairman, and members of the committee. My name is George M. Grant. I appear before you today on behalf of the Ministry of Industry of Thailand. At the same time, I have prepared a very short statement summarizing the reasons and justification for Thailand's petition for a U.S. annual statutory sugar quota of 85,000 tons. I shall file a more detailed statement for the record.

Mr. Chairman, let me state I shall not request that the record be made much larger than it already is, but I have handed a statement of a reprint from the New York Times of August 25 and one from the Wall Street Journal, and also another small booklet that has been given to each member, and I hope if you have time that the members of the committee may have an opportunity to read those.

Senator LONG. We will print this article that you have in mind but the book I think would be a little bit too bulky.

Mr. GRANT. Yes. I don't ask that that be in the full statement—as you stated—thank you very much.

Senator LONG. The article from the New York Times will be printed.

(The article referred to follows:)

[From the New York Times, Aug. 25, 1965]

SUKARNO ACTS WITH CHINA TO OUTFLANK WEST IN ASIA

This is the first of three dispatches on Indonesia by a correspondent of the New York Times who recently completed a visit to the southeast Asia archipelago.

(By Seymour Topping)

HONG KONG, August 24.—President Sukarno of Indonesia has reached an understanding with Communist China that will bring increasing pressure to bear on the defense of the Western powers in southeast Asia.

Diplomatic observers in Jakarta are convinced that Peiping intends to employ its new Jakarta axis to outflank containment positions set up by the United States in countries such as Thailand, Laos, South Vietnam, and Taiwan.

Well-informed Indonesian sources said that the Jakarta government had pressed Peiping for facilities and resources to explode a nuclear device. This is the background to recent hints by President Sukarno and other Indonesian officials that the country will soon have its own atomic bomb.

Opinion is divided among Western experts here as to whether the Chinese Communists will yield to the Indonesian wishes for a test intended to enhance Jakarta's prestige among the uncommitted African and Asian countries President Sukarno aspires to lead.

SPECULATION ON ATOM TEST

One view is that Peiping might set off a nuclear blast on one of Indonesia's 3,000 islands but retain complete control of the test and the resources employed. Other specialists on Chinese affairs believe that Peiping is too cautious to hazard the practical problems involved in such a test or its worldwide political repercussions.

In his August 17 speech, President Sukarno spoke of building an axis linking Indonesia, North Vietnam, Communist China, and North Korea. Cambodia was included to give this envisioned working alliance a pan-Asian rather than largely Communist character.

However, Prince Sihanouk, the Chief of State of Cambodia, has not welcomed this arbitrary inclusion of his country in the Sukarno axis. Although he is leaning to Peiping in deference to the Chinese Communists' power, Prince Sihanouk has been more reserved than the Indonesian leader. Cambodia manifested her independence by recognizing the Government of Singapore shortly after the island's separation from Malaysia.

INDONESIA SEEKS LEADERSHIP

President Sukarno has moved his nation into alinement with Communist China because he feels that the interests of both will remain parallel in the coming years. The Indonesian leader wishes to see Western influence excluded from southeast Asia so that his country, the largest and most populous of southeast Asia, can assume what he believes to be a natural role of leadership in the region.

Experienced observers believe the Indonesian leader's aspirations for pre-eminence embrace the remaining states of Malaysia—Malaya, Sabah, and Sarawak—as well as Singapore, the Philippines, Portuguese Timora, and eastern New Guinea, which is a territory of Australia. Under the Indonesian blueprint, these areas would enjoy varying degrees of independence, but they would be expected to consult Djakarta on foreign policy and defense matters.

The United States, after having given Indonesia \$700 million in economic and military aid, finds itself powerless to dissuade the Djakarta Government from its present course. President Sukarno has veered sharply toward the Communist camp not only because of foreign policy considerations but also because of his expressed determination to guide this nation of 100 million people toward a Marxist type of society.

JOINT ACTION DISCUSSED

Marshall Green, the new U.S. Ambassador in Djakarta, can only remain aloof from Indonesian politics and hope that internal developments will one day again

provide an opening for the exercise of Washington's influence: The harassed diplomat has assumed a firm position in attempting to avert the confiscation of the remaining American business interests and the Communist-led demonstrations against the Embassy and its consular offices.

Indonesian officials say the eviction of the United States as well as Britain from southeast Asia is the goal of Djakarta's program of cooperation with Peiping.

Joint action in political, military, and economic fields was discussed during the recent visit of Marshal Chen Yi, the Chinese Communist Foreign Minister, to Djakarta.

In private talks with Foreign Minister Chen, Dr. Subandrio, the Indonesian Foreign Minister, agreed to withhold recognition from newly independent Singapore and to press Djakarta's "confrontation" campaign against the remaining states of the Federation of Malaysia.

Peiping and Djakarta hope to persuade Singapore to impose limitations on the use of British bases there with the aim of eventually compelling the Commonwealth to transfer its Far East defense center to Australia.

The joint policy decided upon by Indonesia and Communist China also provides that eventually pressure will be exerted on United States bases in the Philippines and other Western defenses in the region.

In a recent news conference, President Sukarno said that he was interested in extending the concept of "Maphilindo" to Thailand, Cambodia, Singapore, and the states that share the island of Borneo with Indonesia—Sabah, Sarawak, and Brunei. Maphilindo originally was conceived of as a loose union of Malaya, the Philippines, and Indonesia, which are related ethnically and linguistically.

"DEMANDS OF HISTORY"

At a seminar of senior naval officers on August 4, Lt. Gen. Achmad Yani, army chief of staff, stated that "our defense conception must cover all of southeast Asia." He said that Indonesian kingdoms had maintained hegemony over southeast Asia for centuries through control of the seas.

"The Indonesian nation and people will not ignore the demands of history," he said, "and it has been my conclusion since 1963 that at some time the Indonesian Navy will take over the role of the United States 7th Fleet and the British Far Eastern Fleet in southeast Asia."

Gen. Abdul Haris Nasution, the Defense Minister, said at the same seminar that the strategic goal of the armed forces must be to knock out the British bases at Singapore and break out of the containment represented by the British-protected Federation of Malaysia.

The speeches at the seminar might evoke chuckles when contrasted with the offensive capability of the 25,000-man Indonesian Navy and its centerpiece, the often-immobilized cruiser *Irian*, which was donated by the Soviet Union. Inadequate logistical support has sharply curtailed the use of the Navy and of the small jet air force, which is largely Soviet equipped.

But military and diplomatic observers in Djakarta are not amused. They point out that with pinprick guerrilla raids against Malaysia, particularly Sabah and Sarawak, the Indonesians have tied down 50,000 Commonwealth troops and the bulk of the British Far Eastern Fleet.

If the British defenses at Singapore are unhinged and if Malaysia becomes completely split, as the Indonesians plan, a pertinent question—in some instances already being asked—will be: "Who is next?" Djakarta, motivated by its dream of a greater Indonesia and by the need for foreign adventures to divert attention from domestic economic woes, is expected to move smartly on its next target.

The Australians already are looking apprehensively to their eastern New Guinea territory, the Portuguese to their island of Timor, and American officials to U.S. bases in the Philippines.

The Philippines exposed to infiltration from neighboring Indonesian islands, are the site of principal United States air and naval bases in southeast Asia. The Indonesian Army of about 350,000 men has limited conventional offensive capability, but it could land guerrilla units in the Philippines without great difficulty.

In the successful campaign against the Dutch that resulted in the annexation of West Irian (western New Guinea) in 1962 and in the confrontation against Malaysia, Djakarta has made successful use of a combination of political pressure and the threat of guerrilla forays.

FEAR OF PEIPING SUBSIDES

The Chinese Communists' diplomacy in the last 18 months has wooed President Sukarno and Foreign Minister Subandrio from their earlier view that Peiping represented an ultimate danger to the independence of Indonesia. The prevalent view in Djakarta now is that Indonesia will gain from traveling on a parallel course with Peiping, and that once Western influence is expelled from the region the two countries will be able to arrive at a satisfactory accommodation.

In company with this fundamental change in outlook there has been gradual erosion of the Soviet role in Indonesia. Soviet diplomatic officials, after dispensing about \$1 billion in military aid, now complain of their growing isolation from the Indonesian leadership.

A reliable Communist source said that a serious dispute developed last year between the Soviet and Indonesian Governments when Moscow balked at demands to intervene strongly against the British in the dispute over Malaysia. The Indonesians were said to have threatened to expel more than 700 Russian military technicians and to replace them with Chinese Communists familiar with Soviet weaponry.

The Indonesians did not follow through on their threat, but relations have deteriorated, with Peiping encouraging Djakarta to take a tough stand against Moscow.

The bitterness of Soviet officials also has been heightened by the refusal of Indonesians to adhere to an agreed schedule of debt repayment, although Djakarta has been servicing its debts to the United States and other countries.

COMPLAINTS OF SLOWNESS

The Indonesians have complained of Moscow's slowness in the delivery of spare parts for Soviet equipment and of the failure of the Russians to furnish equipment that can withstand tropical conditions.

The Chinese Communist aid program has been a modest one. Peiping is committed to a program of \$108 million in economic assistance, mostly for construction and light industry projects. Only about \$40 million of this has been drawn. The Chinese Communists are known to have about 40 technical advisers in Indonesia.

Soviet economic aid totals \$270 million, with about \$100 million drawn. More than 200 Soviet technicians are in the country assisting in the construction of steel mills and other industrial projects.

Despite the importance of Soviet economic and military aid, President Sukarno has sacrificed the goodwill of Moscow to collaborate closely with Peiping, the Kremlin's ideological competitor. In making this decision, the factor of race, as well as the affinity of regional and political interests, has counted heavily.

HSINHUA REPLACES TASS

Within Indonesia, this trend is also discernible in the replacement of Tass, the Soviet press agency, by Hsinhua, the Chinese Communist agency, as the most influential foreign dispenser of news to Indonesian periodicals.

Within the last 18 months and particularly this year, Indonesians of Chinese extraction have become more prominent in the country's governmental and mass political organizations.

On the local level, traditional discrimination still is practiced against the Chinese, who dominate much of Indonesia's trade and industry. There are about 3.3 million people of Chinese descent living in the country. But on a high governmental level, a new tolerant attitude toward the Chinese is being preached.

President Sukarno has appointed Oei Tjoe Tat, an Indonesian citizen of Chinese ancestry, to be Minister of State attached to the Presidium of the Cabinet. A strong leftwing Dutch-educated official who is a dominant figure in the national Chinese organizations, Mr. Oei has risen within a year to a position of trust with President Sukarno. He is reported to have assisted the President in drafting some sections of his speeches.

Mr. GRANT. Mr. Chairman and members of the committee, Thailand with a few minor exceptions has ruled itself for about a thousand years. Unlike its neighboring nations which have all been colonized by Western Powers at one time or another traditionally and historically Thailand has been the friend of this Nation.

Today the Thai people are not only our staunchest friends and loyal allies but a major bulwark against Communist aggression in southeast Asia. It is well to have preference for Western Hemisphere sugar supplies, but this is certainly one major exception. Thailand is on the front line of attack in southeast Asia.

Before you is a map of southeast Asia. I believe there was some philosopher, perhaps Confucious, but a Chinese philosopher, many years ago stated that a picture was worth 1,000 words, and I certainly think that is true in this statement.

Here this Nation is making a stand in Vietnam where we have committed and my statement said 125,000 troops but we know there are many more there today to prevent a Chinese takeover of South Vietnam. Here is strife-ridden Laos, here is hostile Cambodia down here, which has recently broken diplomatic relations with this Nation. Both are neutral, and I say neutral advisedly, and both waiting to decide which way to jump.

Here is the North Vietnam border, less than 100 miles from Thailand, and here is Ho Chi Minh Trail only 50 miles from Thailand. Here is Burma hanging by a thread between independence and submission to Red China, and here is Thailand.

As you see, this friendly ally stands directly in the path of Red Chinese conquest, blocking the way to Indonesia, which is already leaning toward communism, to Malaysia, a friendly and newly independent nation. Here to the Philippines, which only recently crushed a still latent communistic movement.

Thus, gentlemen, the United States must lean heavily on Thailand to protect its flanks, so to speak. Most U.S. officials recognize this.

This 130-mile Mekong Trail river frontier is crossed daily and recrossed by Pathet Lao forces and numerous clashes between armed bands of Communists and Thai police have recently occurred. Peiping has served formal notice that Thailand is the next target for its so-called liberation. Thus we have a desperate race between the United States and the Thai Government to build an economy on one hand, and Red China's subversive drive on the other.

By a simple legislative measure, you gentlemen will assist immensely in this concentrated effort. A sugar quota for Thailand will be a contribution to a major segment of their economy. The Thai industry represents an investment of over \$110 million and a source of income for more than 100,000 workers affecting over half a million dependents. We here have this ideal opportunity to serve dual-worth purposes, obtaining our sugar requirements and at the same time helping a most valuable ally and supporter.

Thailand is a very good customer of the United States. Gentlemen, listen to this: It has an unfavorable trade balance with the United States in a 1-to-4 ratio. Thailand imports almost all of her tobacco and cotton needs from the United States.

I would like to point out that Thailand in 1963 in their imports of the U.S. agricultural commodities exceeded those of 12 combined nations which have sugar quotas given to them by this Nation. So, this is not an idle gesture, when I make the statement that Thailand is one of the best customers of this Nation.

In all fairness, I do not believe that we should turn our back on a cash customer in time of need, a customer whose destiny is also the

destiny of the U.S. effort in that area. Thailand does not want grants and deals. The Thai Ambassador and Foreign Minister have repeatedly stressed that Thailand wants to help itself. This is a historical characteristic of these hard working people.

Right now, Thailand needs support for a sugar industry which is growing too fast. With the exception of rice and several minor agricultural products such as tapioca, Thailand has only begun development of its agricultural commodities in earnest over the last 10 years.

This development has been encouraged directly by the United States although through a technical assistance program in its efforts to raise the prosperity of this country. Only in very recent years has Thailand had an export surplus of sugar and only last year has this surplus been consumed.

Now, the surplus stands at approximately 100,000 tons. For immediate relief of this desperate situation Thailand has requested a special quota in 1965 of 20,000 tons in return for which it intends to purchase an equivalent value of additional U.S. tobacco. In addition to the statutory quota of 85,000 tons requested, if this Congress can find a way to grant in 1965 a quota it, too, will be of great value to the Thai economy.

Mr. Chairman, only a day or two ago on October 7, I noticed an AP report from Tokyo headed, "Peiping Tells Thai To Curb U.S. Activities."

And I just want to read one or two sentences which say :

Red China warned today that growing subversive operations in Thailand will be intensified unless the Thai authorities cut back U.S. military funds in that country. The threat, the third this week to Thailand by China, was made by a commentator in the official Peiping people's daily. The article, broadcast by the new Chinese agency, charged that the Thai authorities have committed numerous crimes, they have dispatched personnel to the United States, war of aggression against South Vietnam, and allowed Thailand soil to be converted into U.S. bases for bombing the democratic people of North Vietnam.

Mr. Chairman, let me close in stating that this is a picture here, as I have shown it to you—you have a map of this section of southeast Asia on the statement that you have there—and as I say, this is the picture which expresses more than I can express in words.

Thailand is a translation of "Muang Tai," which means "Land of the free." With your help, it will remain free and make its full contribution to peace in southeast Asia.

Mr. Chairman, that concludes my short statement.

(The prepared statement of Mr. Grant follows:)

SUPPLEMENTAL STATEMENT SUBMITTED BY GEORGE M. GRANT, REPRESENTING
THE MINISTRY OF INDUSTRY OF THAILAND

Mr. Chairman and members of the committee, my name is George M. Grant. I am appearing before you on behalf of the Ministry of Industry of Thailand, a Government entity responsible for supervision and promotion of sugar production in Thailand.

Thailand is keenly interested in the pending legislation to revise and extend the Sugar Act of 1948, as amended. This interest is somewhat of a novelty in comparison with those countries presently sharing in the U.S. sugar market; at the outset of my remarks I think it is best to point out two factors which differentiate Thailand from past sugar suppliers. First, Thailand has only recently attained a position as a net exporter of sugar. Because of this—and this is my second point—Thailand has never exported sugar to the United States with the exception of several shipments in the middle of the 19th century.

Thailand was extremely anxious to participate in the U.S. market this year, but such was precluded due to the administration's action in restricting the market to historical past suppliers.

It must be realized that Thailand's inability to export sugar until recent years was the result of an expanding industry attempting to satisfy the domestic requirements in Thailand. Once this objective was realized, continued investment in sugar production surpassed internal needs; in 1963 Thailand exported 50,000 tons of raw and plantation white sugar to nearby markets, after quadrupling their sugarcane production during the preceding decade. At the present time annual production approximates 330,000 tons of sugar. It is expected that the surplus of sugar available for export will be in the neighborhood of 160,000 tons this year.

This surplus is becoming critical and poses serious difficulties and probable adverse economic repercussions. Thailand urgently needs a stable price for a growing export which, in face of severe fluctuation in world price, cannot be an economically feasible commodity in the absence of a dependable market.

Furthermore, the current surplus of sugar has created critical political problems in the Thailand Government with regard to sugar production, by causing a decline in income and employment.

Since the Second World War, the proponents of the sugar industry have successfully impelled the industry to reach its present level of achievement. Costly investment in milling machinery and farm equipment, affecting thousands of laborers and farmers, now hangs in the balance, depending on the creation of a stable market for this increasingly important industry. A statutory sugar quota of 85,000 tons for Thailand would relieve a situation which is becoming distressingly malignant.

Allow me to introduce a few facts and comments on Thailand.

We are prone to consider the Kingdom of Thailand in the mystic romanticism of "The King and I." Indeed, this exotic flavor still lingers, but has been overshadowed by a new era of progressive outlook and economic advance. Thailand's 30 million inhabitants occupy some 200,000 square miles, a territory slightly smaller than France. The country consists mainly of a large central valley, bordered on the north and west by mountains, and on the south by the Gulf of Siam. The northeast section of the country, comprising about one-third of Thailand, is a high plateau region. Thailand's neighbors are, counterclockwise from the south, Cambodia, Laos, Burma, Malaysia. A multitude of streams and rivers interlace the topography, providing the vastly important network of water for irrigation and transportation. The major river is the Chow Phya, which shelters the capital city of Bangkok 16 miles upstream from its estuary.

Thailand's fertile valley abounds in vegetation due to the warm and humid climate. Chow Phya River Valley has three seasons, the longest being the rainy monsoon, extending from June through October; the monsoon is preceded by the hot season, and followed by a 3-month cool season, during which the temperatures dip to an average of 80°.

Thailand boasts a variety of ethnic groups. The industrious and commercially powerful Chinese account for 1.6 percent of the population, with other nationalities comprising about 0.2 percent.

The Thai people originally migrated southward along the banks of the Chow Phya and Mekong Rivers from China, finally settling in the Chow Phya Basin over a thousand years ago. During the following centuries Thailand developed a culture and a character of its own.

Peaceful times were disturbed in 1568, when the Burmese besieged the capital city of Ayudhya and dominated the country for 15 years. A successful counter-attack dispersed the invaders, but further attacks from the northern and eastern neighbors gave the pacific Thai people a troubled century, but also endowed these ancestors of Thailand with a superb resilience to aggression.

In the 17th century Thailand was suddenly in the limelight of the Western World due to the rapid exploitation of the wealthy Indian trade. As a stepping-stone to India, Thailand attracted much Western influence and became, in the eyes of Europe, one of the most important kingdoms in southeast Asia.

In the late 18th century the monarch, Rama I, moved the capital to Bangkok and formed a dynasty which has ruled Thailand since that time. In 1932 a bloodless coup d'etat terminated the centuries-old absolute monarchy and a constitutional monarchy was instituted.

The 19th century was the transition period, during which present-day Thailand took shape. British, French, and American influence were primarily present:

the British secured a leading role in Thai finances; the Americans, as arbitrators in a French-Siamese dispute in 1907, became traditional advisers in foreign affairs; and the French legal advisers were, to a certain extent, responsible for establishing the present judicial system of Thailand. Unlike its southeast Asian neighbors, however, Thailand has never been a colony of any European or Western power, despite numerous overtures throughout the centuries. Thailand's high regard for freedom is illustrated by the decision of King Rama VI to send Thai troops to France during World War I.

The Government of Thailand is an excellent model of stability and efficiency. A constant and uninterrupted history of government is of prime importance to a nation's development. Thailand has ruled itself for a thousand years.

Thailand's constitutional monarchy combines due regard for Thai tradition with a penetrating analysis of and borrowing from European and American sources. The King is assisted by a privy council, an office of the royal household, and an office of His Majesty's Secretary General. All legislation is enacted by the Parliament, signed by the King, and countersigned by the Prime Minister.

Recent transitory constitutions have endowed the Council of Ministers, the equivalent of our Cabinet, with the executive and administrative functions of Government. The Council is composed of ministers and deputy ministers, chosen by the Prime Minister, who presides at the weekly meetings. The constituent assembly has legislative power and provides a debating forum and accurate indicator of public opinion.

I was anxious, Mr. Chairman, to present this brief geopolitical and historical summary so that we all may have a more accurate understanding of Thailand and its way of life. We are all quite well informed on other southeast Asian regions, but I find many of us consider Thailand to be a nice little friendly country which doesn't require the close attention of neighboring Communist-infiltrated countries.

Thailand is small, yes, and friendly indeed, but never let us overlook its importance in the current Asian sphere of activities. The potential value of Thailand in assisting the reestablishment of a peaceful Asian bloc cannot be underestimated.

Thailand's total commitment to the free world is a stabilizing influence in a very critical area of the world which is presently the prime target of Communist subversion. There is little doubt that Thailand is on the Communist schedule for ultimate control; it appears that the timetable has been delayed due to "easier game" in neighboring countries. There is no doubt that the Government of Thailand has made, and will continue to make, every effort to repel Communist approaches, which are becoming stronger with each passing day. We are indeed fortunate to have an ally such as Thailand, whose very spirit and tradition is totally incongruous with Communist doctrine and ideology. In this area of upheavals and Communist subversion, Thailand is a unique working example of political and social stability.

Thailand's avowal to support freedom is evidenced by her membership in the United Nations Organization and its various agencies and the Southeast Asia Treaty Organization, which has given eminence to Thailand by selecting Bangkok as the seat of the Organization. Further, Bangkok's magnificent Peace Hall (Sala Santhitham) contains the offices of the Economic Commission for Asia and the Far East. Thailand has always had total respect for its agreements and treaties, and has ever been ready to defend the principles of freedom and democracy.

Thailand's central location further emphasizes its importance in the Asian area. Bangkok is the natural hub of all air routes in the region—south down through the Malaysian Peninsula to Singapore and Jakarta, eastward to Tokyo, westward to India and the Middle East, and New York equidistant by either the eastern or western route.

Thailand occupies a position of vast strategic importance in addition to being an ideological bastion of freedom in a torn and struggling southeast Asia. The cold war, no longer so cold 100 miles to the east of Thailand in Vietnam, makes the Thai people sharply aware of increasing pressures and the supreme importance of maintaining a free society in a free country.

In the face of external pressures a growing and stable economy must be maintained. Thailand is well on the difficult road leading to economic independence and self-sufficiency, but for Thailand, as for any industrially emerging nation, the road is often slow and difficult. Presently the country is on the threshold of success, and has reached the critical stage which is all important in the transition to a self-sustaining economy.

The metropolitan areas are flourishing with business activity and industrial growth. Serious efforts are being made to supplant the primitive agricultural techniques of the farmers with modern technology and mechanization.

Industrial expansion has been especially dynamic, having increased its output 16.9 percent in mining and 8.4 percent in manufacturing a year since 1958. Manufacturing has branched out to include various types of light and small industry. The basic rudiments of this upsurge, including additional electric power and communications facilities, are rapidly growing to support further expansion.

Agricultural wage earnings have risen 5.8 percent a year since 1958. Thailand's gross national product (GNP) is estimated to have doubled during the 1950-60 period, reaching the equivalent of about \$2.7 billion in 1961. Per capita GNP is estimated at around \$110, but this average is distorted by the fact that about 85 percent of the population is rural and thus satisfies many of its basic needs outside the money economy. By contrast, the Greater Bangkok area, with more than 2 million people, comprises a market of considerable purchasing power. Economic growth has been financed chiefly by export earnings from the nation's primary production: Agriculture, forestry, and mining. The annual rate of investment has been around \$350 million, or nearly 15 percent of the GNP. The Government, committed to speeding up the pace of economic advance, has set up a national economic development board to plan public investment under the current 6-year plan and a board of investment to promote greater private industrial investment and attract more foreign venture capital. Private enterprise has been encouraged by the conservative fiscal and monetary policies that Thailand has pursued since the currency stabilization of 1955, which eliminated the multiple exchange reserves. The baht is now convertible with minimum regulation and has gained a reputation as a sound currency in international markets. Spending on economic development is being stepped up under the 6-year plan, but these outlays are to be covered by tightening tax collections, borrowing from the public, and foreign aid, rather than by deficit financing. The importance of agriculture to the Thai economy is indicated by the fact that it provides a livelihood for roughly 80 percent of the population and produces about 90 percent of the country's export earnings.

Most agricultural land is owner-cultivated, and Thailand's farmers are untroubled by tenancy or civil unrest. Apart from rice, the main commercial crops for the fast-growing domestic processing industries are corn, cassava, kenaf, sugarcane, rubber, and cotton. The land is still Thailand's greatest natural resource. At present, little more than 15 percent, or about 25 million acres, is under cultivation; of this only about one-ninth is covered by irrigation projects completed or under construction. There is much potential for agricultural development which could be realized by expansion of the cultivated areas, extension of irrigation and flood control, and the introduction of fertilizers and new cropping patterns.

The foregoing serves as a brief outline of the current economic situation in Thailand. It is in truth a recurring theme that any growing nation has experienced: the hesitant initiative, the throes of early development, the complexity of later industrial expansion—throughout which the focus is upon maximum utilization of natural resources.

Thailand's prime natural resource is the fertility of the soil: in essence, the economy is based upon agriculture. Knowing and understanding this, we must appreciate the dependency of Thailand upon its agricultural system.

Progress is often contingent upon innovation. Thailand, reliant upon, but not restricted to agriculture as its major earning power, has sought new crops to attain a twofold objective: a self-sustaining economy and an industrial expansion. The rapid growth of the Thailand sugar industry is the direct result of such innovation, although in fact, sugar production in Thailand gained significance 30 years ago.

It is interesting to note that during the first half of the 19th century, cane sugar was among Thailand's principal exports. During the latter half of the century, however, low world prices forced the sugar industry to nearly cease its activities. World War I, tariff protection since the 1920's, Government initiative since the 1930's, and World War II all stimulated the local industry and Thailand attained its present export position in 1961.

Sugarcane cultivation is distributed over 10 general areas scattered rather evenly throughout the nation. There are now 43 mills in operation, handling the cane production of more than 205,000 acres of land producing over 4,500,000 tons of sugarcane. The rate of return of raw sugar per hundred tons of cane harvested is 7.5 tons; the average yield of cane per acre is 18.3 metric tons.

Both the rate of return and the yield per acre are low in relation to other sugar-producing countries. This yield per acre could be increased through more efficient planting and harvesting techniques, as well as improvement of species of cane and use of fertilizers. The technical assistance program of the sugar industry aid fund is making some progress against these deficiencies; it is essential that the cost structure of sugar production be reduced if the price of Thai sugar is to be made competitive on world markets.

The sugar industrial aid fund, established by the Government in 1961, provides both technical as well as financial assistance to the cane growers. The fund extends credit for 2 or 3 years for the purchase of equipment, sells fertilizers at reduced cost, and pays for agronomist services.

The recent construction of the majority of the sugar milling facilities indicates the new expansion of the sugar industry. Only 6 mills were built between 1937 and 1951, while 14 were established in 1957 alone; 11 more were put into operation during 1960 and 1961. Quite obviously substantial investment has been made in the sugar industry in recent years. The estimated domestic consumption of Plantation White cane sugar during 1963 was 135,000 tons; household users consumed over 80 percent of this total, with industrial users constituting the market for approximately 18 percent of the remainder. Exports of Plantation White and raw sugar totaled over 55,000 tons in 1963, with Japan importing more than half of this tonnage.

One of the major factors in the Thailand sugar industry is, of course, the price structure relative to cost of production and present average world market prices. Over the past few years substantial subsidies have been paid by the Thailand Government to sustain the sugar exporters, as production costs have exceeded the present depressed world market price for raw sugar. This situation is indeed a dilemma at the present time, as the promoters of the sugar industry are anxious to strive for a competitive export position. The only alternative would be severe curtailment of production and the simultaneous closing and dismantling of many of sugar mills, which of course, represent large investment. The repercussions of this measure would certainly be reflected in loss of income to all facets of the sugar industry, from the mill owner down to the small farmers dependent on cane sugar for their livelihood. A reversal in the sugar industry would cause irreparable harm to the economy in general and would create widespread social unrest.

As recently indicated, the sugar industry has expanded over the past 10 years in leaps and bounds. There are presently 5 Government-owned sugar factories, representing a total investment of \$30 million, and 38 privately owned factories, the capital investment of which approximates \$80 million.

In addition to the heavy financial obligations undertaken with the expansion of the industry, a large number of farmers switched their crops to cane sugar concurrently with the growth of the industry.

There are 38,000 individual sugarcane farm owners in Thailand, plus 19,000 mill, factory, and transportation workers. In addition there are 45,000 farm employees and laborers engaged in the sugar industry. Including 420 government officials, the total number of Thailanders deriving their income from the industry is 102,270. As there is an average of 5.6 dependents per family in Thailand, there are 570,000 Thailanders dependent upon the growing and milling of sugar for their daily needs of sustenance.

Almost all sugar farmlands in Thailand are owned by the farmers, with the exception of about 2 percent under sugar factory and Government ownership. The government seeks only to assist the farmer by providing current technical advice and financial assistance during the early part of the growing season, when operating funds are short.

I would like to present a summary comparison of the income levels prevalent in Thailand. Industrial wages, as is generally true throughout the world, are far higher than farm income. The mean industrial wage in the urban areas is about \$35 per month, as compared to the average farm income of the sugarcane grower of \$17 per month, or half the industrial wages per harvesting season. Furthermore, the sugarcane farmer cannot utilize a two-crop rotation system, which is often used by other crop growers to provide a double harvesting season and, subsequently, double income. The rotation system has been used with tremendous success by the maize growers; maize production has increased tenfold over the past 6 years, and this year Thailand should reach an annual production of maize over 1 million tons.

Quite obviously the sugarcane farmer requires a higher price for his sugarcane, which is naturally essential to keep the mills and factories in operation. The

present procedure of the industry is an overall subsidy system, whereby taxes on the milling output are used towards supporting the export price of raw sugar. A quota in the United States would allow a general wage increase for all factors of the industry.

This critical period can be alleviated by granting a statutory sugar quota of 85,000 tons to Thailand. The Government of Thailand has in the past and will in the future, make all efforts to stabilize the sugar industry, for too much has been spent already to forgo the future and close down the milling facilities. Even in the face of adverse market conditions, this policy has consistently been reaffirmed by the Thai Government. But without a U.S. sugar quota it is impossible to compete with the depressed world market price structure, largely the result of global "dumping" practices.

I would like to emphasize that Thailand does not intend to rely in the future solely on the U.S. market if a quota is granted. Thailand is fully aware of the fact that Cuba's return as a source of sugar to the United States will reduce if not remove U.S. foreign quotas. It is firmly and sincerely believed, however, that the sugar industry in Thailand is experiencing only temporary difficulty and will shortly succeed in competing in worldwide markets. This is no idle statement; indeed, the recent heavy Government expenditures toward success of this priority industry will bear out the assurance that the farsighted program will soon be realizing the benefits of the recent increased investment.

A sugar quota for Thailand would serve also to stimulate and encourage expanded international trade. In 1964 Thailand imported over \$115 million worth of U.S. products, of which \$17 million was agricultural commodities. In 1964, U.S. imports from Thailand approximated \$27 million, representing an unfavorable balance of trade for Thailand in excess of a 4-to-1 ratio. Such a ratio is naturally detrimental to a growing country dependent upon foreign exchange earnings for industrial expansion.

A sugar quota for Thailand will contribute to one of the major provisions of the Sugar Act: "To promote the export trade of the United States." Thailand has indicated its willingness to increase volume of trade with the United States.

As a comparison with present sugar quota countries, I would like to point out that Thailand's 1963 imports of U.S. agricultural commodities exceeded those of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Haiti, Ecuador, Paraguay, British Honduras, French West Indies, and the Fiji Islands—more than half of the countries which participated in the statutory quota system over the past 3 years. Furthermore, all of Thailand's imports of agricultural commodities were for cash. Thailand's principal exports include rice, rubber, tin, maize, teak, and tapioca products. Major imports are petroleum products, iron and steel, motor vehicles, and industrial machinery.

We are not unaware of the pressures being exerted to restrict foreign sugar suppliers to Western Hemisphere nations. Thailand understands the strengthening of the economic base derived from the U.S. sugar quota system, and strongly desires to participate in these mutual benefits, whereby the supplier earns funds for capital development and the United States is assured a steady and stable sugar supply.

Thailand has historically relied in large part upon its own efforts and resources for development, and its achievement in this direction has been most encouraging. During fiscal year 1963, there were eight countries having U.S. statutory sugar quotas which received more financial assistance from AID than did Thailand. Thailand does not wish to rely solely upon foreign donations for industrial development. This policy of "self help" would be much strengthened by a statutory sugar quota, which would provide an outlet for sugar at a remunerative price.

I cannot overemphasize the strategic importance of Thailand, in both foreign policy and military considerations. Present foreign quota sugar suppliers, including the Republic of the Philippines, enjoyed in 1964 a U.S. market of over 4 million tons; in requesting a quota of 85,000 tons, Thailand asks only for a mere pittance of 2 percent participation in the U.S. market from foreign sources. In order to relieve the present surplus, Thailand also requests a 1965 quota of 15,000 tons, to be delivered before the end of this year. Approval of these small requests will indeed be a timely indication by the United States of its continued support of a small but infinitely important country, a strategically invaluable outpost in an area of the world stricken by Communist pressures. We know well the U.S. cost of maintaining and protecting neighboring lands from attack and aggression, and we all hope and pray that Thailand will never need the machinery

of war to protect its boundaries from invasion. Granting Thailand's request for a nominal sugar quota would indeed provide the machinery for peace and future prosperity.

May I thank you, Mr. Chairman and members of the committee, for the privilege of appearing before you and presenting Thailand's petition for a statutory sugar quota. I shall be pleased to answer any questions you may have to the best of my ability. Thank you.

Senator LONG. May I just ask you about this matter, Mr. Grant?

What did the administration recommend, that is the executive branch recommend, for Thailand?

Mr. GRANT. That is one reason I am here, Mr. Chairman. The administration did not recommend anything. In fact, so far as I know, there was no contact made. I notice from the testimony here yesterday, that no one had been allowed or no one representing any country had contacted the Agriculture Department, and——

Senator WILLIAMS. Did appear before the House committee?

Mr. GRANT. Yes.

Senator LONG. Let me ask you this further. You once served on the House Agriculture Committee, did you not, Mr. Grant?

Mr. GRANT. Yes.

Senator LONG. As a practical matter, you have read some of the criticism, such as this vicious cartoon that appeared in the Washington Post today, attacking the House Agriculture Committee because they made some changes in the administration's recommendations of quotas. You and I know as a practical matter there wouldn't be a whisper from the administration if somebody down in the Department of Agriculture had recommended a quota for Thailand.

Mr. GRANT. Yes.

Senator LONG. Oh, the criticism apparently comes that the committee in its wisdom saw fit to do something that the Department of Agriculture had not recommended. I would invite your reaction to that. What is your attitude in regard to that?

Mr. GRANT. I think, frankly, in view of world conditions, in view of this map here, it would be tragic, and I am speaking only of the people that I am attempting to represent, to say to them, "Because you are not in the administration bill, you should not be considered."

Senator LONG. In other words, while I have taken no position at all with regard to the quota for Thailand, I am frank to say that under the separation of powers I would hate to think that the day had arrived when the Congress can do nothing but say either yes or no to an administration recommendation. I should imagine that the Congress still has the power to amend a suggestion that comes down from the White House or from the Department of Agriculture or even the Department of State. It does dismay me somewhat, whether I agree with it or not, to see people come up here and suggest that there is something corrupt or criminal about the fact that somebody offers an amendment to a bill. I do say with regard to your position or anyone else's, if you or they want to come and suggest to Congress that we should do something at variance with what the administration has recommended, you have a perfect right to do so.

Mr. GRANT. Well, Mr. Chairman, I have no criticism of the administration. Perhaps this was not called in the right manner to their attention and certainly, I didn't. I haven't had any opportunity to. But I notice in this committee print here issued by the Senate that





there is a statement made that the "Sugar Act of 1948, as amended, is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices and to promote international trade."

If there is an example of international trade between this Nation and other nations, this is it. Further on under the caption of "How the Act Works," it stated that in authorizing such global importations special consideration was to be given to countries of the Western Hemisphere and to those countries purchasing agricultural commodities.

Senator LONG. Senator Carlson?

Senator CARLSON. Only this, we are very happy to have Mr. Grant before our committee. It has been a pleasure to have worked with him when he was on the other side for many years and I am delighted he is here this morning.

Senator TALMADGE. Mr. Chairman, I merely want to echo what our distinguished colleague from Kansas, Senator Carlson said. We have missed George Grant at our agricultural conferences and it is a pleasure to see him back in Washington.

Mr. GRANT. Well, thank you so much. Of course one never knows in politics what can happen. I never had a thought that I would be appearing before the Senate Finance Committee. But I thank you gentlemen so much for your consideration.

Senator LONG. We are very happy to have you, Mr. Grant.

Mr. GRANT. Thank you.

Senator LONG. The next witness will be Mr. Edwin H. Seeger representing the Peruvian Sugar Producers Association.

STATEMENT OF EDWIN H. SEEGER, REPRESENTING THE PERUVIAN SUGAR PRODUCERS ASSOCIATION AND THE FEDERATION OF WORKERS OF PERU

Mr. SEEGER. Mr. Chairman, my name is Edwin H. Seeger. I appear for the Peruvian Sugar Producers Association, a voluntary association of sugar producers of Peru, and for the Federation of Workers of Peru representing the sugar workers of Peru. I have filed a long formal statement with the committee and will just give a very brief summary of that.

I recognize that other witnesses have canceled their appearances. We would have, too, except we felt it important to emphasize the amount of the cut in Peru's historic sugar exports to the United States involved in the administration's bill, and our feeling that the bill is really quite unfair to Peru.

In 1962, the Congress accorded Peru a parity quota equal to the quotas accorded to Mexico and the Dominican Republic as the three largest suppliers to the United States after Cuba and the Philippines. This was after 20 years of history in which Peru had been the third largest supplier after Cuba and the Philippines.

Over the period 1961 to 1964 Peru exported an average of 440,000 tons of sugar annually to the United States. Under the administration's bill Peru's future exports to the United States would be 240,000 tons, about a 45 percent cut in its traditional exports.

Now, Secretary Mann said yesterday that, "I don't think we ought to allocate sugar solely on the basis of 1963-64 shipments." And he also said, "We should base allocations on traditional patterns of trade."

Well, the administration's bill does base the sugar allocations solely on the basis of 1963-64 shipments. We haven't found any exceptions to that and in Peru's case it ignores traditional trade.

The particular problem for Peru is that the whole point of the administration's bill is to reward countries that shipped over quota in 1964. The problem is that you only have a hundred percentage points to hand out and when you add a percentage point to one country, you reduce it from another which means you cannot reward one country without punishing another.

In 1965, every country was rewarded for its shipments over quota in 1964. In addition to that, Peru has received its punishment, if punishment is what it deserves. It has been cut down to 250,000 tons in 1965. Every single sugar estate in Peru is losing money this year. Two of the local unions that were once members of the Federation of Workers of Peru, which is a staunch anti-Communist union, have gone over to the Communists. This is occurring at the very time the Government of Peru is fighting Communist-led guerrilla movements in the Sierras and at the same time has its own war on poverty. It is a democratic government. It believes in free enterprise.

Sugar is essential to Peru. It is the second largest export commodity, agricultural export commodity, and Peru second only to the Dominican Republic, is the most heavily dependent of the Latin American countries on sugar exports.

Our feeling is that the net thrust of the administration's bill is to deprive Peru of its historic position in the U.S. market with substantial disadvantage to Peru and no benefit to the United States because the reduction in Peru's sugar quota is simply reallocated to other countries, many of which have other preferential markets or simply don't need U.S. trade as Peru does.

In conclusion, while we have a long explanation of this point in our formal testimony I do want to point out that when we ask for the restoration of our traditional sugar quota, our request is not a one-way street. The United States is Peru's principal trading partner. The United States has a favorable balance of payments with Peru, which is not true of many other Latin American nations, and Peru, in turn, has over the period of years encouraged the further development of U.S. business interests in Peru.

Finally, if the committee is concerned at all about where other countries stand in relation to the U.S. goal, Peru was the first Latin American country to break with the Axis, it was the first to sever relations with Castro, and it has been a partner of the United States for as long as anybody can remember.

That concludes my testimony.

(The prepared statement of Mr. Seeger follows:)

SUPPLEMENTAL STATEMENT OF EDWIN H. SEEGER, REPRESENTING THE PERUVIAN SUGAR PRODUCERS ASSOCIATION AND THE FEDERATION OF WORKERS OF PERU

Mr. Chairman and members of the committee, my name is Edwin H. Seeger. I appear for the Peruvian Sugar Producers' Association, a voluntary trade association of private sugar producers who have no connection with the Government of Peru and are not subsidized by that Government, and the Federa-

tion of Workers of Peru, a free trade union representing some 50,000 Peruvian sugar workers.

Because of the profound impact of this legislation on the people and economy of Peru—historically one of the major sugar suppliers to the United States—the association and the federation deeply appreciate the opportunity to be heard by this committee.

We take no position on domestic marketing quotas for we regard this as a matter of internal U.S. policy. But insofar as the allocation of foreign sugar quotas is concerned, our position is that (a) the bill proposed by the Department of Agriculture is unfair to Peru and to Latin America; and (b) the bill recently passed by the House of Representatives is a distinct improvement over the Department's bill but nonetheless deprives Peru of its historic position of parity with Mexico and the Dominican Republic to which Peru would be entitled under the very standards adopted by the House Committee on Agriculture for the allocation of foreign quotas.

The House wisely rejected a proposed amendment that would have established an import fee on sugar with damaging effects on the Latin American countries that export sugar to the United States. The bill passed by the House would allocate to the Alliance for Progress nations, none of which has a preferential sugar market other than the United States, between 100,000 and 175,000 more tons of sugar yearly, depending on the level of domestic consumption, than would the Department's bill, which would allocate most of this tonnage to countries able to sell sugar to Britain or France at a price virtually equal to the U.S. price. Furthermore, the House bill would restore part of the disastrous 45-percent cut in Peru's historic sugar quota proposed by the Department of Agriculture. Finally, the bill properly discards the narrow, mathematical formula employed by the Department, enunciating instead three rationale bases for foreign sugar quota allocations: "(1) Ability of the supplying country to provide sugar [in time of need]; (2) the development of foreign trade; and (3) the friendly relations of the countries involved."

We submit that, while it is an improvement over the Department's proposal, the House bill fails to apply the foregoing criteria to Peru. We suggest that the Senate should do so and that, on the basis of these criteria, Peru deserves to be accorded in the 1965 act the same parity position with Mexico and the Dominican Republic that Congress accorded Peru in the 1962 Sugar Act.

We further submit that the Department's bill is manifestly unfair to Latin America in general and to Peru in particular.

1. *The Department's bill is contrary to the promise President Johnson made only 2 months ago that the United States would "try to maintain a regularly expanding market for the sugar that is produced by Latin America."*—Far from maintaining an expanding market for Latin American sugar, the bill would reduce Latin America's share of the foreign quota from 77.8 percent under the 1962 Sugar Act to 68.3 percent, a reduction of over 600,000 tons.

2. *The bill would harm many Latin American countries but it would harm Peru most.*—It would deprive Peru of the parity with Mexico and the Dominican Republic which historically it has had and which Congress accorded Peru in the 1962 Sugar Act. It would cut Peru's sugar trade with the United States, Peru's only preferential market, from a 1961-64 yearly average of 440,000 tons to only 240,000 tons, a reduction of 45 percent.

3. *The bill would cause the most harm to the country that can least afford it and that least deserves it.*—Of those adversely affected by the Agriculture Department's bill, Peru is the one most dependent on sugar exports to the United States. Furthermore, this sharp reduction in sugar exports would occur at the very moment Peru's democratic Government is fighting Communist-led guerrilla movements in the Sierras and elsewhere. The increased unemployment in Peru's sugar industry that would inevitably follow the cut in Peru's sugar quota proposed by the Department will give further support to these movements.

Furthermore, by no standard does Peru deserve the treatment proposed by the Department. Peru has a long history of support of U.S. policies. It was the first Latin American country to break with the Axis and declare war on Japan, the first to break with Castro, and a country that has no trade, direct or indirect, with the Soviet Union or Red China.

Finally, the proposed cut does not square with U.S. aid policies. Peru is a country that U.S. officials consider in the forefront of those committed to social progress through self-help, within a democratic free enterprise system. And only recently, Under Secretary of State Thomas Mann emphasized that

there should be "a direct relationship between U.S. financial assistance and the efforts made by recipient nations toward achieving economic growth and social progress."¹

4. *The bill would benefit those least in need.*—Much of the sugar trade lost by Peru and other Latin American nations would be diverted to countries which already have other preferential markets in Britain and France and are able to sell sugar to these countries at a price virtually equal to the U.S. price.

5. *The only justification advanced for the Department's bill is no justification at all.*—The Department seeks to justify its bill on the ground that countries which shipped more sugar to the United States in 1964, when the U.S. price dropped below the world price, were promised they would be remembered in subsequent allocations of the sugar quota. The fact that Peru substantially exceeded its quota in 1964, and that its offer to do even better was turned down by the Department, is ignored. Also ignored is the fact that the Department's promise has already been kept. Every country which lost money by shipping to the United States in 1964 has more than recouped these losses in 1965. As stated by the House Committee on Agriculture at page 7 of its report on the present legislation, "any country which may have lost profits by shipments to the United States in 1964, when the world price was higher than the U.S. price, has more than regained those profits by the quotas assigned to it by the Department in 1965." As if this were not enough, the Department's bill would reward these countries many times over in the next few years.

The remainder of this statement develops the foregoing points in greater depth, with particular emphasis on (a) the impact of the proposed reduction in sugar export trade on Peru, and (b) how Peru measures up to the standards of self-help and social progress fostered by the United States through the Alliance for Progress.

Historically, Peru has been a major supplier to the United States

For many decades, Peru was the largest foreign supplier of sugar to the United States after Cuba and the Philippines. As appendix I shows, Peru supplied during many of these years over half of all foreign sugar, excluding Cuba and the Philippines. As late as the Sugar Act of 1956, Peru had the highest foreign quota after these other two countries. In the 1962 act, Peru, Mexico, and the Dominican Republic were given equal quotas.

During these decades, Peru invariably met its commitments, shipping each year to the United States at least its quota or its quota equivalent.

The drastic quota reduction proposed by the Department of Agriculture will have a severe adverse impact on Peru

Despite this history, the Department of Agriculture's bill proposes a 33-percent cut in Peru's quota compared to the 1962 act. It proposes to allow Peru to ship about one-half of the amount of sugar that Peru has on the average shipped to the United States in the years 1961-64. This sharp reduction proposed in Peru's annual sugar exports to the United States will seriously injure Peru's economy and deal a damaging blow to Peru's widely praised efforts to achieve the goals of the Alliance for Progress through self-help and with free institutions.

1. *Sugar exports are vital to Peru's economy.*—In recent years, sugar exports have represented over 11 percent of Peru's total exports, the second highest percentage in Latin America.² This in itself shows how important sugar exports are to Peru. In addition, however, the fact is that Peru is far more dependent on exports than many other Latin American countries. Total exports in 1964 amounted to 24 percent of Peru's gross national product, as compared with only 11 percent for Colombia, 10 percent for Brazil, and 6 percent for Mexico.³

Furthermore, as shown in appendix II, Peru consumes domestically a far smaller portion of its sugar production than any other country in Latin America, except the Dominican Republic. Peru must export over 63 percent of its sugar. Mexico must export only 23 percent of its sugar and Brazil only 10 percent. And Peru's sugar exports to the United States over the period 1957-64

¹ New York Times, Aug. 17, 1965.

² "Selected Data on Sugar Under the Sugar Act of 1948, as Amended by the Sugar Act Amendments of 1962," House Committee on Agriculture, 89th Cong., 1st sess. (committee print, Aug. 16, 1965), p. 6, table III.

³ Calculated from export data in International Financial Statistics (August 1965) and GNP data from Agency for International Development, Statistics and Reports Division. "Estimated Annual Growth Rates of Developed and Less Developed Countries" (R.C.W-138) (Apr. 5, 1965, p. 4, table 3a).

accounted for 19 percent of its total exports to the United States, far larger than the comparable 7.2 percent for Mexico and 3.6 percent for Brazil.⁴

Thus, the leverage which sugar exports to the United States exerts on the Peruvian economy is probably greater than is true of any other Latin American country. This makes even more severe the impact on Peru's quota—already the largest cut in tonnage of any accorded in Latin American country.

2. *Peru's sugar trade with the United States is not a one-way street.*—Peru is a good trading partner of the United States, buying more from the United States than the United States buys from Peru. As the Department of Commerce has pointed out, "The United States is Peru's principal trading partner."⁵

In 1964 the United States supplied 41 percent of Peru's imports, by value, an increase of almost 4 percentage points over the previous year. Peru in 1964 bought from the United States over four times as much as it bought from its next largest supplier.⁶ U.S. sales to Peru in 1964 were 8.8 percent⁷ of Peru's gross national product—far larger than the comparable 6 percent for Mexico.⁸

In terms of merchandise trade, Peru buys more from the United States than the United States buys from Peru,⁹ and has done so every year since 1950.¹⁰ Moreover, Peru's purchases from the United States are increasing at a rapid rate. The average annual increase between 1955–64 was 6.7 percent for Peru as against Mexico's 4.7 percent and Brazil's 4.6 percent.¹¹

Peru's increasing trade with the United States has been accomplished despite a balance-of-payments relationship adverse to Peru and favorable to the United States. While computations of bilateral balance of payments are difficult, the best sources available, as appendix III shows, indicate that from 1960 through 1964 the balance of payments between Peru and the United States was every year favorable to the United States, ranging from \$29 million in 1960 to \$113 million in 1964.

In comparison, the U.S. payments position for the same period showed an average yearly balance adverse to the United States of approximately \$168 million with Brazil and \$160 million with Mexico.

The U.S. favorable balance of payments with Peru and its unfavorable balance with Mexico and Brazil, are in large measure the result of disparities in tourism and profit remittances.

In 1964, \$727 million flowed out of the United States into Latin America through tourism. Of this amount, Mexico garnered 66 percent while the whole of South America received only 7.8 percent.¹²

On the other hand, a significant amount of the money flowing from Peru to the United States consisted of profit remittances by the U.S. companies having investments in Peru. In 1963 these remittances totaled \$65 million, over 1½ times as high as profit remittances from Mexico and five times as high as those from Brazil.¹³

These facts not only point up the relative importance to Peru of sugar exports to the United States and the position of Peru as a good trading partner of the United States, but also give some indication of the kind of free economy that Peru has.

3. *Peru's free enterprise economy deserves the support of the trade opportunities made possible by the present legislation.*—In terms of those basic principles

⁴ Computations based on total exports to United States from U.S. Department of Commerce, Import Trade by Country, No. FT950-I, and sugar exports to United States from U.S. Department of Agriculture, Foreign Agricultural Trade for the United States for calendar years 1957–64.

⁵ U.S. Department of Commerce, Overseas Business Reports (OBR 65–46) (July 1965), p. 18, table 15.

⁶ Ibid., p. 19, table 15.

⁷ Ibid., pp. 4, 18, table 12.

⁸ U.S. Department of Commerce, Overseas Business Reports (OBR 65–55) (July 1965).

⁹ The table, on pp. 47–48 of H. Rept. 1046, 89th Cong., 1st sess., on the Sugar Act Amendments of 1965, shows a 1964 balance of \$23.2 million favorable to the United States.

¹⁰ U.S. Department of Commerce, Overseas Business Reports (OBR 65–46) (July 1965), p. 18, table 12. As shown therein, for the years 1950 through 1964, the total trade balance in the United States favor amounted to \$738.3 million.

¹¹ Computed from U.S. Department of Commerce, Export Trade by Country, No. FT950-E; Statistical Abstract of the United States (1965), p. 881, table 1245.

¹² U.S. Department of Commerce, Survey of Current Business (June 1965), p. 26, table 2.

¹³ U.S. Department of Commerce, Survey of Current Business (August 1964).

of free enterprise which the U.S. policy is designed to foster, the U.S. Department of Commerce has said of Peru:

"To a degree greater than in most Latin American countries, Peru has confined itself to the traditional role of establishing the ground rules and regulations under which private enterprise operates."¹⁴

The importance of the private sector in Peru's economy is shown by the fact that private investment constituted 83 percent of the country's total fixed investment during the period 1960-63.¹⁵ By way of comparison, in Mexico during the same period private investment accounted for only 57 percent of total fixed investment, while the average for all Latin America was 69 percent.¹⁶

The U.S. Department of Commerce states that:

"Peru has maintained a relatively high degree of economic stability, has avoided hampering governmental restrictions, and has enacted legislation designed to attract investments through tax incentives and other liberal provisions. The absence of exchange controls, the freedom of investors to repatriate capital and its earnings, and the enactment of liberal legislation * * * attest to the positive efforts made by the Government to attract private capital.

* * * * *

"The Government may expropriate private property only for reasons of public interest, and Peru has scrupulously observed this principle—having hardly any history of expropriation or nationalization of property."¹⁷

4. *Peru has steadily tried to create a better society for its people.*—Peru's free enterprise economy has achieved an annual rate of growth in gross national product per capita in the period 1960-64 of 3.7 percent, significantly larger than the Latin American average of 1.1 percent.¹⁸ Peruvian labor—and sugar labor in particular—has shared heavily in this growth. To quote official U.S. sources:

"Peruvian labor legislation imposes on employers obligations which significantly affect the cost of labor.

* * * * *

"These fringe benefits have been estimated at 60 percent of the basic wage in the case of laborers and at 50 percent of basic salary in the case of employees."¹⁹

The Peruvian sugar worker is the highest paid agricultural worker in Peru, earning somewhere between three and six times the average wage in other sectors of agriculture. His wages, and the fringe benefits mentioned above by the Department of Commerce, put him above the average of industrial workers' pay of his country. Almost 100 percent of the sugar work force is employed the year around.

As noted earlier this statement is being submitted to this committee on behalf of the Federation of Workers of Peru, as well as the Peruvian Sugar Producers' Association. These workers have a deep interest in the outcome of this legislation. The secretary general of the federation has asked that I convey to this committee, on his behalf, the extreme concern of Peruvian labor over the proposed reductions in Peru's sugar quota. A statement by the secretary general is attached hereto as appendix IV. In his words:

"The sugar exports to the United States are the key to the increase in payroll and hospitals and schools and other fringe benefits which represent slightly over 100 percent improvement in the total remuneration in cash and other benefits since 1960.

"All of this is gravely threatened by the executive branch proposal for a permanently reduced volume of sugar exports to the United States in the new bill.

"Today, there are several union contracts pending renewal. By agreement between management and labor, the bargaining sessions have been put off until further notice, pending the outcome of the U.S. Congress action on the new sugar bill. This delay, plus some early signs of the economic crisis looming for the Peruvian sugar industry, have already stimulated the Communists to work harder to gain influence of organized sugar workers.

¹⁴ U.S. Department of Commerce, World Trade Information Service, Economic Reports, No. 62-78, p. 4.

¹⁵ United Nations, Estudio Economico de America Latina, vol. I (1965).

¹⁶ Ibid.

¹⁷ U.S. Department of Commerce, World Trade Information Service, Economic Reports, No. 62-78, pp. 1, 3.

¹⁸ United Nations, Estudio Economico de America Latina, vol. I (1965).

¹⁹ U.S. Department of Commerce, World Trade Information Service, Economic Reports, No. 62-78, p. 22.

"Only recently the free and democratic labor movement has lost two major unions to small Communist power groups who have capitalized on the effect on the industry of the reduced quota imposed on Peru in 1965 and the extremely low level of the world sugar price."

In view of the importance of sugar, not only to the 300,000 Peruvians who are directly or indirectly dependent upon the sugar industry, but also to the whole of the Peruvian economy, these words of concern about the Department of Agriculture's bill take on added meaning in the context of what the people and Government of Peru are trying to achieve through self-help.

Furthermore, President Belaunde has set Peru's goals very high: 100,000 new homes by 1970; free education for all; the irrigation of 200,000 desert acres in the north; penetration highways to unlock the riches of the Sierra and of the jungle lowlands, just to name a few of his major objectives. Peru is leading its neighboring countries in a project to build a 3,500-mile marginal highway on the eastern slopes of the Andes.

As the New York Times reported on October 11, 1965:

"In the forbidding central Andes, one of the most strategic spots of Latin America, Peru's democratic Government is slowly winning a decisive battle against two closely related enemies: Communist guerrillas and woeful poverty.

* * * * *

"A recent visit to the areas of heaviest guerrilla activity suggested that apart from the Government's energetic military measures, the biggest deterrent against the spread of communism has been provided by reforms introduced by President Fernando Belaunde Terry. * * *

"The vastness of the problem has made Peru something of a test case in the bitter contest between the violent methods advocated by the Communists and their motley revolutionary allies and the Alliance for Progress program designed to help the region achieve a peaceful transformation of economic and social levels.

"Mr. Belaunde, a 52-year-old architect with degrees from the Sorbonne and the University of Texas, who typifies a generation of forward-looking Latin American technocrats, has been among the most enthusiastic advocates of the Alliance. His success in Peru is considered vital by Washington for the security and progress of the whole region."

The success of Peru's efforts obviously depends in great measure on the continued development of its trade, in which sugar plays so important a role. As Under Secretary of State Thomas Mann recently noted, "Trade is * * * an important component—there is perhaps no more important component—of progress."²¹

The narrow mathematical formula of the Department of Agriculture necessarily ignores relevant factors and is particularly unjust to Peru

The Department of Agriculture has declared of its bill:

"Quotas would be allocated essentially on the basis that each country contributed toward our import needs in 1963 and 1964, but with the latter year given double weighting."²²

The House Agriculture Committee, on the other hand, has found that:

"1963 and 1964 are the two most unusual and abnormal years in the history of the U.S. sugar program, and the theory of basing future permanent quotas on these 2 years, therefore, is unsound * * *."²³

Furthermore, the Department's formula fails to take into account the special circumstances that influenced Peru's response to the Department's 1964 request for additional shipments. For the fact is that Peru substantially exceeded its sugar quota in 1964, and its failure to do even more was not one of its own making.

It should be emphasized that between 1961 and 1964, when the so-called global quota system was in effect, no country knew from one year to the next how much sugar it could export to the United States above its basic quota. For example, as table IV on page 7 of the House Agriculture Committee report indicates, Peru was permitted to export to the United States 503,000 tons of sugar above quota in 1961 but little more than half as much—274,000 tons—in 1962. In addition

²⁰ Statement of David E. Bell before the House Committee on Foreign Affairs, Feb. 4, 1965, State Department Bulletin, Mar. 8, 1965, p. 345.

²¹ Address of Apr. 9, 1965, State Department Bulletin, May 10, 1965, p. 721.

²² Statement of John A. Schnittker, Under Secretary of Agriculture, hearings before the House Committee on Agriculture, 89th Cong., 1st sess. (Aug. 18, 1965), p. 10.

²³ H. Rept. No. 1046, 89th Cong., 1st sess., p. 7.

to these uncertainties, Peru faced two unique problems. First, because of Peru's location, its sugar production cycle permits it to export far more sugar in the second half of any year than in the first half. Caribbean sugar producing countries, on the other hand, have almost precisely the opposite production cycle. Second, unlike many of the Caribbean producers, Peru is unable to maintain heavy sugar inventories.

In the summer of 1963 it became clear to all that in 1964 the world market price of sugar would be somewhat higher than the U.S. price. Indeed, as table XIII at page 19 of the House Agriculture Committee report shows, during much of 1963 the world price was higher than the U.S. price.

Nonetheless, the Department of Agriculture failed to state during the summer of 1963, or even in the early fall, how much sugar each country would be permitted or asked to ship above quota. Not until November 23, 1963, with less than 5 weeks remaining before the start of 1964, did the Department make known its requirements. In the meantime, in the face of the foregoing uncertainties and long before the Department spoke up, the Peruvian producers committed to other markets the balance of their first quarter sugar production over the amount needed for domestic consumption and their U.S. quota commitment.

This left only 50,000 tons available for above-quota export to the United States in the second quarter of 1964, the lightest period of Peruvian production, but an additional 250,000 tons during the remaining two quarters of 1964 when, as noted previously, Peruvian production is at its heaviest.

Thus, in the fall of 1963, when the United States requested foreign suppliers to increase their sugar shipments to the United States, and promised special consideration in the assignment of quotas in exchange therefor, Peru offered 300,000 additional tons of sugar to the United States, 50,000 tons of which would be shipped in the first half and 250,000 tons in the second. As pointed out earlier herein, not a single ton was available for shipment in the first half beyond the 50,000 offered by Peru.

For reasons best known to itself, the Department of Agriculture refused the offer of 250,000 tons for the second half of 1964. As the House Agriculture Committee noted, "the Department of Agriculture, contrary to the specific provisions of law, never allocated approximately 500,000 tons of the Cuban reserve and any supplying country had the right to assume that this 500,000 tons eventually would be allocated * * *."²⁴

Yet, the Department now proposes that Peru have its sugar quota cut drastically because Peru was unable to provide more than 50,000 tons above quota during the first half of 1964. That proposal is manifestly unfair. Certainly Peru's failure, if it be called such, was not one that requires that Peru be punished.

Countries that substantially exceeded their quotas in 1964 have already been rewarded in 1965

If rewards and punishments are thought to be required solely on the basis of 1964 performance, they have already been meted out in full measure, as the House Agriculture Committee has cogently observed.

Quotas for 1965 have been allotted on the basis of 1964 performance. Every country that suffered losses in 1964 by shipping to the United States at its then depressed price differential of \$26.80 per short ton has more than recouped these losses in 1965 when the United States has had an inflated price differential of \$68.80 per short ton, as shown in appendix V. Australia, which lost \$4,600,000 in shipments above quota in 1964, will gain over \$10 million on shipments above quota in 1965. Mexico has enjoyed a net gain of some \$4 million and South Africa's gain has been about \$3,500,000.

On the other hand, Peru's sugar exports to the United States this year will be in the neighborhood of 250,000 tons, about 40 percent less than its 1961-64 average. The world market price is at an alltime low and every sugar company or estate in Peru has reported losses for the year. One estate is close to bankruptcy and may soon discharge 4,000 sugarworkers.

The House bill denies to Peru the application of the House committee's own standards

The House of Representatives properly rejected the foreign sugar allocation formula proposed by the Department of Agriculture.

²⁴ Ibid.

²⁵ State Department Bulletin, July 5, 1965, p. 4.

The bill reported by the House Committee on Agriculture and passed by the House of Representatives is an improvement over the Department of Agriculture bill. Depending on the future level of domestic consumption, it increases by between 100,000 and 175,000 tons the total amount of sugar assigned to Alliance for Progress countries and provides a modest increase over the Department's allocation to Peru. Furthermore, it reenacts the principle of parity among some of the major foreign sugar suppliers that was provided for in the 1962 act.

But the House does not extend that parity to Peru and the committee report accompanying the bill does not explain why. Instead, the House bill gives to Brazil the position of parity with Mexico and the Dominican Republic which Congress in 1962 accorded to Peru.

This substitution of Brazil for Peru is not explained. Peru does not begrudge Brazil this parity position, particularly since Brazil's quota under the 1962 act was only a fraction below the parity quotas of Peru, Mexico, and the Dominican Republic. But Peru does contend that under the House committee's own clearly articulated standards there is no justification for dropping Peru from its parity position, much less for doing so by replacing Peru with Brazil.

To the contrary. If the rationale of the report had been followed, Peru would have retained its position of parity with Mexico and the Dominican Republic.

The report states at page 7 that the House bill adopts "the distribution of quotas among foreign countries established in the 1962 act as the basis of the quotas for the duration of this bill." The report further states at pages 7-8 that in assigning quotas the committee "has embraced the same considerations it followed in 1962; namely, (1) ability of the supplying country to provide sugar at the time needed for the consumers of the United States; (2) the development of foreign trade; and (3) the friendly relations of the countries involved."

We are in complete agreement with these principles. We ask only that they be applied to Peru as they are applied to Mexico, the Dominican Republic, and Brazil.

Each of those countries is assigned a basic quota of 8.41 percent, equal to a quota of 340,925 tons. Peru, on the other hand, is assigned a basic quota of 6.71 percent, equal to 272,000 tons.

In terms of ability to supply sugar in time of need—the first of the three considerations embraced by the House Agriculture Committee—Brazil plainly deserves no preference over Peru. In the critical year 1964, Peru exceeded its quota by 20 percent. In that year, Brazil shipped to the United States not a single ton of sugar above its quota.

In terms of the development of foreign trade, the earlier portions of this statement should make it clear that Brazil, Mexico, and the Dominican Republic are scarcely better trade partners of the United States than is Peru.

Finally, in terms of friendly relations of the countries involved it seems to us unnecessary to argue the obvious point that Peru has been no less friendly to the United States than the three nations accorded parity by the House committee bill.

CONCLUSION

The Department of Agriculture bill would substantially reduce Peru's sugar quota, and the quotas of other Latin American nations, without justification. The House committee bill is an improvement over the Department's bill for Peru and for Latin America as a whole. But it substitutes Brazil in place of Peru as the country accorded parity with Mexico and the Dominican Republic.

We submit that on any yardstick, whether it be historic participation in the U.S. sugar market, the capacity to meet and even exceed its quota requirements, need for foreign exchange income, or adherence to the principles of democracy and free enterprise, Peru is entitled to the same consideration given by the House Agriculture Committee to Mexico, the Dominican Republic, and Brazil. The principle of parity for Peru with these other countries ought to be recognized in the 1965 act as it was recognized by Congress in the 1962 act.

APPENDIX I

*U.S. sugar imports from Peru*¹

Year	Peru charges against quota (short tons)	Total foreign charges against quota (short tons)	Peru as percent of foreign quota
1934.....	8,017	29,750	26.95
1935.....	5,539	10,977	50.46
1936.....	5,557	29,024	19.15
1937.....	53,573	89,155	60.09
1938.....	56,256	75,114	74.89
1939.....	38,599	62,021	62.24
1940.....	13,250	17,336	76.43
1941.....	108,808	189,934	57.29
1942.....	6,097	39,235	15.54
1943.....	2,021	113,923	1.8
1944.....	(²)	106,010	(²)
1945.....	36,106	87,416	41.30
1946.....	46,353	46,353	100.00
1947.....	41,397	44,732	92.54
1948.....	25,385	61,892	41.01
1949.....	21,589	51,565	41.87
1950.....	30,733	61,396	50.06
1951.....	(³)	12,666	(³)
1952.....	22,810	50,767	44.93
1953.....	53,891	111,011	48.55
1954.....	55,364	113,264	48.88
1955.....	55,663	118,524	46.96
1956.....	59,077	126,667	46.64
1957.....	80,093	217,272	36.86
1958.....	86,867	278,698	31.17
1959.....	95,527	278,665	34.28
1960.....	138,827	432,553	32.09

¹ The data do not include Cuba, Philippines, domestic beet, mainland cane, Hawaii, Puerto Rico, Virgin Islands. When sugar quotas were in effect, data are final charges against sugar quotas. Quotas were not in effect Sept. 11, 1939, to Dec. 26, 1939, and Apr. 22, 1942, to Dec. 31, 1947—data for these periods are total quantities entered from offshore areas.

² In wartime 1944 there was no U.S. quota system in effect and no shipping space was allocated to Peru for shipment of sugar to the United States.

³ In 1951 Peru shipped its quota equivalent to 21,131 short tons to the United States, but U.S. refiners made the unilateral decision to reexport this and other imported sugar so that no charge was made against the Peruvian quota.

Source: Sugar Statistics and Related Data (U.S. Department of Agriculture), vol. 1 (1961), p. 159.

APPENDIX II

Domestic consumption and exports to preferential markets other than the United States—Average, 1961-64

Country	Metric tons, raw value			Percent of production consumed domestically	Percent of production exported, preferential market	Total percent of production consumed domestically and exported to preferential markets
	Production, 1961-64	Domestic consumption, 1961-64	Exports to preferential markets, 1961-64			
United Kingdom.....	(1)					
Canada.....	569,978	3,420,931		600.2		600.2
Netherlands ¹	2,144,657	2,801,394		130.6		130.6
Ireland ¹	555,653	667,563	20,950	120.1	3.8	123.9
Venezuela.....	1,095,599	1,035,748		94.5		94.5
Argentina.....	3,453,097	3,159,491		91.5		91.5
India.....	11,466,132	10,395,346	40,664	90.6	34	90.9
Brazil.....	12,054,644	10,868,830		90.2		90.2
Colombia.....	1,559,715	1,401,420		89.9		89.9
Reunion.....	906,332	29,588	766,813	3.3	84.6	87.9
Paraguay.....	156,465	139,548		87.7		87.7
Belgium.....	1,652,070	1,407,345		85.2		85.2
Mauritius.....	2,291,250	109,255	1,701,044	4.8	74.1	78.9
Guatemala.....	482,198	333,294		77.8		77.8
British Honduras.....	116,699	9,693	81,951	8.3	70.2	78.5
France.....	8,119,273	6,314,897		77.8		77.8
Mexico.....	6,707,612	5,143,671		76.6		76.6
South Africa.....	4,774,610	2,814,312	715,246	59.3	15.7	75.0
Turkey.....	2,200,418	1,648,305		74.9		74.9
French West Indies.....	1,033,782	52,037	719,992	5.0	69.6	74.6
Panama.....	90,602	74,452		70.9		70.9
El Salvador.....	247,363	175,361		70.9		70.9
Ecuador.....	568,815	387,264		68.1		68.1
Malagasy.....	395,913	155,778	120,289	36.7	30.6	67.3
British West Indies and British Guiana.....	2,211,327	178,842	1,215,874	8.1	55.0	63.1
Australia.....	6,808,013	2,321,886	1,626,899	34.1	23.9	58.0
Costa Rica.....	314,199	177,131		56.4		56.4
Fiji.....	1,035,311	64,764	505,186	6.3	48.8	55.1
Nicaragua.....	346,388	188,129		54.2		54.2
Haiti.....	272,000	143,575		52.8		52.8
Peru.....	3,131,543	1,151,501		36.8		36.8
China (Taiwan).....	3,268,942	497,658		15.2		15.2
Dominican Republic.....	3,405,875	418,530		12.3		12.3
Southern Rhodesia.....	(2)					

¹ Net import country.

² Not available.

APPENDIX III

Computation¹ of bilateral U.S. balance of payments with selected Latin American countries, 1955-64

[In millions]

	Brazil	Chile	Colombia	Mexico	Peru
1955.....	(\$239)	\$16)	(\$17)	\$94	\$48
1956.....	(351)	(4)	(54)	4	16
1957.....	(285)	(3)	(150)	103	(3)
1958.....	(213)	35	(202)	66	9
1959.....	(140)	62	(46)	(47)	(3)
1960.....	(211)	183	67	(76)	29
1961.....	(216)	(70)	(95)	(140)	76
1962.....	(198)	(63)	(122)	(143)	65
1963.....	(99)	(12)	1	(174)	90
1964.....	(114)	26	53	(266)	113
1955-59 average.....	(246)	(21)	(94)	44	13
1960-64 average.....	(168)	12	(19)	(160)	75

¹ While bilateral balance-of-payments data is not published by the International Monetary Fund or the Department of Commerce, it is possible to compute a roughly accurate picture, the current account being based on merchandise trade (U.S. imports from U.S. Department of Commerce, "Import Trade by Country," No. FT 950-I; U.S. exports from U.S. Department of Commerce, "Export Trade by Country," No. FT 950-E), services (profit remittances from U.S. Department of Commerce, Survey of Current Business; interest remittances from U.S. Department of Commerce, "Foreign Grants and Credits," transportation based on relationships between a country's total imports f.o.b. and total outflow for services, with Mexican tourist income from U.S. Department of Commerce, Survey of Current Business (June 1965), p. 26, table 2), the capital account being based on net long- and medium-term capital transactions (U.S. aid from U.S. Department of Commerce, "Foreign Grants and Credits"; direct private investment from U.S. Department of Commerce, Survey of Current Business, table 3, "Net Capital Outflows"; U.S. commercial bank transactions from differences in yearend position by country for U.S. commercial banks shown in Treasury Department bulletins), and net short-term capital transactions (from yearend positions for short-term liabilities and claims by country shown in Federal Reserve Bulletins).

NOTE.—Positive balance indicates an inflow favorable to the United States. Negative balance () indicates an outflow unfavorable to the United States.

APPENDIX IV

STATEMENT OF JULIO CRUZADO, SECRETARY GENERAL, CONFEDERACION DE TRABAJADORES DEL PERU

In the name of the 1½ million workers who belong to the Federation of Workers of Peru, and especially on behalf of the 50,000 affiliated workers from the sugar industry, I wish to express to this committee our very deep appreciation for this opportunity to make known to you our great concern at certain aspects of the administration bill to extend the Sugar Act.

Two important factors have contributed to a tremendous increase in the economic progress of the workers employed in the Peruvian sugar industry and their 200,000 dependents.

The first was the Alliance for Progress and its stimulus to the economic and social development of Peru.

The second was the increase in Peru's shipments of sugar to the United States after Castro took over Cuba.

The sugar exports to the United States are the key to the increase in payroll and hospitals and schools and other fringe benefits which represent slightly over 100-percent improvement in the total remuneration in cash and other benefits since 1960.

All of this is gravely threatened by the executive branch proposal for a permanently reduced volume of sugar exports to the United States in the new bill.

Today, there are several union contracts pending renewal. By agreement between management and labor, the bargaining sessions have been put off until further notice, pending the outcome of the U.S. Congress action on the new sugar bill. This delay, plus some early signs of the economic crisis looming for the Peruvian sugar industry, have already stimulated the Communists to work harder to gain influence of organized sugarworkers.

Only recently the free and democratic labor movement has lost two major unions to small Communist power groups who have capitalized on the effect

on the industry of the reduced quota imposed on Peru in 1965 and the extremely low level of the world sugar price.

We have lost, to the Communists, the union of one of the major estates in the north. This estate is in very severe financial difficulties and struggling to avoid bankruptcy. It could not, of course, continue the annual wage increase which has become customary in the last 5 years in Peru.

The second union taken over recently by Communists is that of one of the major and most socially advanced estates in Peru. This year's wage settlement featured an increase of 9 percent on the average which is still OK, as this estate has other industries which helped to avoid a more severe reduction in the rate of increase of wages. Yet as this represented a slight reduction from last year's increase this was enough for the Communists to convince the rank and file to throw out the leaders of the union and replace them with some of their own faithfuls. To us this is just as serious as if the Communists took over the General Motors or the Ford locals of the United Auto Workers.

That is why, Mr. Chairman, I urge the committee, please to give careful consideration to the broader issues surrounding Peru's current social and economic position, and especially the struggle of the free and democratic labor unions against the Communist elements who seek to conquer organized labor. Any reduction in labor's living standards, purchasing power, or in the level of employment, as a result of a low sugar quota in the United States, would play into the Communists hands and imperil the future development of the free labor movement in Peru.

APPENDIX V

ESTIMATE OF LOSSES IN 1964 AND GAINS IN 1965 FOR COUNTRIES MAKING ABOVE-AVERAGE SHIPMENTS OF SUGAR TO THE UNITED STATES IN 1964

The attached table estimates that, under the formulation explained in the accompanying footnotes, those nations which most lost money by making above-average shipments to the United States in 1964 will have more than made up for these losses by the end of 1965. This is because these same nations are being permitted to make above-average sales to the United States in 1965, at a time when the U.S. price is well in excess of the world price. Thus, as the table shows, the additional sums earned in 1965 more than offset estimated losses in 1964.

NOTES ON ATTACHED TABLE

This table only includes those countries which made above-average shipments of sugar to the United States in 1964 and thus may claim to have suffered financially by supplying sugar to the United States. Losses for 1964 were calculated for those countries by comparing their 1964 shipments with their 1964 basic quotas. The excess amount shipped in 1964 over 1964 basic quota has been considered the amount of sacrifice; that is, the greater than required amount sold to the United States to meet its needs at a time when the U.S. price was lower than the world price.

The differential between the U.S. price and the world price in 1964 was determined by taking the average price for the first 6 months of 1964. This time period was selected for the reason that it was during this period primarily that sales to the United States were committed. It is, of course, not possible to determine exactly the loss since exact sales prices cannot be determined regardless whether sales were made at average prices or at a fixed price. The problem with gaging the loss is further complicated by the fact that if those countries had sold on the world market instead of on the U.S. market in an effort to obtain the higher world market price, no doubt such efforts would have resulted in a lower world price. It does appear, however, a fair gage to select 1964 first 6-month averages as a basis of establishing the amount of money lost by those nations selling more than normal amounts to the United States.

As in the case of calculating sacrifice, gains in 1965 are established by taking the difference between the 1964 basic quotas and the 1965 quotas, which were established by the Department of Agriculture, by use of a formula designed to reward nations shipping to the United States in 1964. The dollar amount of the gain in 1965 has been calculated by taking the average price differential for the first 6 months of 1965. This has been selected, again, as an estimate, consistent with the price formula used in calculating losses for 1964.

Country	1964 quota	1964 ship- ments to United States	Ship- ments above quota	Loss in 1964 on above- quota ship- ments ¹	1965 quota	1965 exceeds 1964 quota	1965 gain on quota ²	Net gain 1965 over 1964 loss
				<i>Thou- sands</i>		<i>Short tons</i>	<i>Thou- sands</i>	<i>Thou- sands</i>
Australia.....	40,366	215,098	174,732	\$4,682.8	193,069	152,703	\$10,506.0	\$5,823.2
British Honduras.....	974	5,988	5,014	134.4	4,342	3,368	231.7	97.3
Costa Rica.....	19,720	40,526	20,806	557.6	36,041	16,321	1,122.9	565.4
El Salvador.....	10,326	20,571	10,245	274.6	17,904	7,578	521.4	246.8
Fiji Islands.....	9,981	54,517	44,536	1,193.6	47,059	37,078	2,551.0	1,357.4
Malagasy Republic.....	0	11,559	11,559	309.8	7,586	7,586	521.9	212.1
Mexico.....	255,521	480,120	224,599	6,019.3	403,225	147,704	10,162.0	4,142.7
Nicaragua.....	25,079	50,340	25,261	677.0	41,947	16,868	1,160.5	483.5
Panama.....	8,832	19,216	10,384	278.3	14,986	6,154	423.4	145.1
South Africa.....	20,326	119,960	99,634	2,670.2	109,408	89,082	6,128.8	3,458.6
Southern Rhodesia.....	0	10,260	10,260	275.0	9,197	9,197	632.8	357.8

¹ At U.S.-world price difference of \$26.80 per short ton.

² At U.S.-world price difference of \$68.80 per short ton.

Senator LONG. You made a good statement. I believe that the reason that the administration recommended such a small quota for Peru was due to the fact that when sugar was in short supply Peru had a quota and failed to deliver on it.

Isn't that about what the logic of it is?

Mr. SEEGER. That is the logic of it, but it is not the fact, Mr. Chairman.

In 1964, when U.S. needs went up, Peru shipped 15 percent over its quota. It offered the United States 50,000 tons over its quota in the first half of the year. It offered the United States an additional 250,000 tons in the second half of the year. The United States accepted the original offer and rejected the 250,000 offer. There has been no explanation as to why that offer was rejected, and in the House Agriculture Committee report you will see that 500,000 tons of the Cuban reserve were never allocated in 1964. As the House committee said, any country had good reason to believe that a bid of that nature would be accepted. And Peru's proposal was solely based on Peru's production cycle.

Senator LONG. So you say that Peru delivered 15 percent over their quota?

Mr. SEEGER. Over its quota, yes, sir.

Senator LONG. And they offered to deliver 250,000 tons more than that?

Mr. SEEGER. The total would have been more than double Peru's quota.

Senator LONG. Can you get an admission from the Department of Agriculture that that was the case?

Mr. SEEGER. I think if the Department of Agriculture witness were called he would have to say that we, in fact, made that offer, if that is what the Senator is asking.

Senator LONG. That is what you ought to inquire about, because if that is the case then there is no reason why you shouldn't at least have some credit for the fact that you at least made that offer.

Mr. SEEGER. We will get documentation for the Senator and for the committee on that point.

Senator LONG. Senator Williams?

Senator WILLIAMS. No questions.

Senator LONG. Senator Carlson?

Senator CARLSON. Just this: I have been glancing through your statement while you were answering some questions by Senator Long. The sugar quota is most important, is it not, to Peru, not just to your country alone, but to the surrounding area, isn't that a fact?

Mr. SEEGER. Yes, sir; this is one of the problems with the whole administration bill. A witness for the Department of Agriculture yesterday testified that Alliance for Progress considerations fell very nicely. Those were his exact words. Actually the entire increase in the domestic quota falls on the Alliance for Progress nations. In other words, the 580,000-ton increase is reflected in a 600,000-ton cut for the Alliance for Progress nations and of those who are hurt, Peru is hurt the most.

Senator CARLSON. In checking the House committee report and the administration bill I would say that that is correct.

I noticed in the testimony of the witnesses from the administration yesterday that they don't like to call these sugar quotas as aid, but as a member of the Senate Foreign Relations Committee, I have this feeling that if we do not, and are not able to give substantial sugar quotas to some of our friends in Latin America, we are going to have to give additional funds or assistance, and I think——

Mr. SEEGER. Yes, sir.

Senator CARLSON. I think you have made a good case here this morning. I really do. I appreciate your appearance.

Senator LONG. Let me just say this. Here is what our committee document showed on page 14. As the world market, at a time when our price was above the world market, in 1961, we purchased from Peru 602,000 tons. When our price was about twice the world market; 1962, 510,000 tons; 1963, 413,000 tons; and then we come to 1964 when we were begging for sugar, Peru delivered 242,000 tons or just about half what they had delivered in other years.

Now, here are sales on the world market. In 1961, they sold 7,000 tons; 1962, zero; now, when the price started going up in 1963, 117,000 tons; and 1964, the year when they could make more money selling on the world market than they could sell to us, at the time we were begging for sugar and asking for a commitment Peru sold 230,000 tons on the world market. So it is obvious where that sugar went to. It didn't go to us. We are the fellow who paid them twice the price in the years when our price was twice the world market or 50 percent above the world market as the case may be, and then when the time came that we needed them, and we are talking about the private producers and companies down there, not a government, they take 230,000 tons and sell that on the world market. They go looking for somebody who will pay them a higher price.

I am advised that while Peru might have made some offer I don't know about, at the time we asked for the commitment they wouldn't deliver.

Mr. SEEGER. Sir, Peru's traditional sugar production pattern is such that it produces far more in the second half of any year than it does in the first half of any year. When the United States rejected the 250,000-ton offer, of course, it showed up as being a sale in the world market. It was either that or keep the sugar. Peru has nowhere else to sell it.

Senator LONG. When we asked for the commitment in January of 1964 why didn't Peru give us that commitment, say, "All right, we won't have the sugar until 6 months later but we will deliver the sugar 6 months from now."

Mr. SEEGER. We did say that. That is precisely what we said, 250,000 tons 6 months from now and we were told, no.

Senator LONG. Well, my understanding about that matter is that if this was a commitment made by Peru on that basis, it was a conditional commitment and not a definite commitment that the sugar would be delivered.

Suppose you get your documents, though, and I would suggest you see if you can get that matter straightened out with the Department of Agriculture because that is why they recommend that reduction.

Senator Douglas?

Senator DOUGLAS. No questions.

Senator LONG. Thank you very much, sir.

(The documentation subsequently submitted by Mr. Seeger follows:)

PRATHER, LEVENBERG & SEEGER,
Washington, D.C., October 15, 1965.

HON. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: During my testimony this morning before the Finance Committee on behalf of the Peruvian Sugar Producers' Association and the Federation of Workers of Peru, you expressed interest in documentation of the offer made on behalf of the Peruvian sugar producers in late 1963 to supply to the United States, over and above Peru's basic quota, 50,000 tons during the first half of 1964 and an additional 250,000 tons during the second half of 1964.

As you know, the official U.S. request of the various countries was made through the local American Embassy in those countries. In response to that request, the Peruvian Sugar Producers' Association informed the American Embassy in November of the above-described offer. Attached is a telex evidencing this offer.

Furthermore, the office of the agricultural attaché of the U.S. Embassy in Lima today confirmed to us that on November 14, 1963, the U.S. Embassy formally transmitted this offer to Washington. Attached is the text of the U.S. Embassy's cable as read to us today over the telephone from Lima, Peru.

I would very much appreciate it if these materials could be inserted in the hearing record.

Sincerely,

EDWIN H. SEEGER.

TEXT OF CABLE FROM U.S. EMBASSY IN PERU TO WASHINGTON, NOVEMBER 14, 1963

Secretary of State (Washington).
Agriculture from Traeger.

Subject under consideration by Sugar Producers Committee which now reports Peru will commit 300,000 short tons for shipment U.S. market 1964 with 50,000 short tons scheduled for arrival January-June, 250,000 July-December.

LIMA, PERU, November 13, 1963.

Telex, Moradas 23.

Following sent Lane by CPA last night:

"Are informing embassy Lima shall have available in 1964 for U.S. market 300,000 short tons which represents 50 percent more than our statutory quota in 1963. Fifty thousand short tons available first half and 250,000 short tons second half. Please remind USDA that principal grinding season is the second half of the year.

(Signed) BASOMBRIO."

Above official CPA directive in effect reduces our self-imposed reserve for United States by approximately 2,000 tons which now available for sale world markets late in year. Will confirm quantity and details later in order proceed sale.

Mr. DUNCAN.
Mr. WALSH.

Senator LONG. The next witness will be H. C. Laughlin representing the Owens-Illinois of the Bahamas, Ltd.

**STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT,
OWENS-ILLINOIS, INC., TOLEDO, OHIO**

Mr. LAUGHLIN. Mr. Chairman, I would like to start by correcting the record.

I am representing Owens-Illinois, Inc., of Toledo, Ohio, corporation and not Owens-Illinois of the Bahamas; how this Owens-Illinois of the Bahamas got in I don't know.

I was invited here representing Owens-Illinois, Inc., and I represent that company of which am a vice president and director.

I appear before you today and I only represent that company. I do not represent the Bahamas or the Bahamas Government. I want to make that very clear.

We have prepared and filed with the clerk an extended statement about our position, and I will merely summarize this statement, and make myself available for questioning.

I appear before you today to urge that you give favorable consideration for including a quota for the importation of approximately 20,000 tons of raw sugar per year from the Bahamas beginning with the calendar year 1968. The bill passed by the House of Representatives, H.R. 11135, includes a quota for the Bahamas of 10,000 tons annually beginning in 1968 provided that satisfactory assurances are furnished the Secretary of Agriculture that the quota will, can be filled with sugar produced in the Bahamas.

Bahamas are a Crown Colony of the United Kingdom located to the east of Florida. They are designated as an industrially underdeveloped area by our Department of State, but they receive and request no U.S. governmental aid. It is expected that any sugar produced on the Bahamas in connection with the grants of a quota will be produced on Great Abaco Island, which is located approximately 185 miles east of Palm Beach, Fla.

I want to discuss first the benefit of a quota for the Bahamas to the United States, because I think unless it is a benefit to the United States you shouldn't grant it.

The purposes of the Sugar Act are (1) assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and (2) encouragement to nearby foreign countries to participate equitably in supplying sugar to the U.S. market to expand international trade, and assure such a stable and adequate supply of sugar.

The growth of sugar in the Bahamas perfectly fits these purposes of the act.

First, as to stability and availability of supply: no offshore country enjoying a sugar quota under the act is located as close to sugar refining facilities in the United States as Great Abaco in the Bahama Islands.

The delivery time from the Bahamas to United States east coast is a matter of just a few days instead of weeks or in the case of some of the quota countries, months. This is very desirable any time and may be crucial in the time of international difficulty.

Secondly, the production of sugar in the Bahamas we believe will be relatively low cost because of the climatic conditions and the long growing and milling season, there is no frost there, and the fact that full mechanization of operation is possible.

The existence of substantial production of sugar in the Bahamas over and above that required for shipments to the United States under the quota here requested will assure ability to keep large reserves to meet emergencies and increases in demands.

The availability of the supply of low-cost sugar is particularly important in the long run in terms of the cost of sugar in the United States and in the world as a whole.

Finally, the balance of payments: on balance of payments, the U.S. dollars spent for raw sugar in the Bahamas will be largely returned to the United States immediately in the form of purchases of equipment, agricultural produce, and other foodstuffs, textiles, and other supplies.

In fact, within the next 5 years of this act, the amount of money that will come to this country for equipment both for hauling equipment and tractors and so forth, and also the mill equipment will far exceed the amount which will be paid for any sugar that comes from the Bahamas to this country. But even after such period this is true of the Bahamas. The United States, including tourism, enjoys a 1.6 to 2.1 favorable balance of trade as against the Bahamas.

It goes without saying that the Bahamas are of prime importance to the United States politically, economically, and militarily. They have been most cooperative with our Government in all matters. There is no question of the stability of the Government there, and our Government has a large number of space and defense installations there including a most important underseas naval facility on the south end of Andros Island. These are all there without demands by the Bahamas Government for any form of tribute from the United States for having those facilities there.

You are entitled to as why is Owens-Illinois here, and we make it very clear, we are here because we are already in the Bahamas as the largest industrial employer there on Great Abaco Island. We are producing pulpwood there, transporting it to the United States. That pulpwood production will cease in 1967. We have established a very substantial operation of roads, shipping facilities and more and most important of all we are employing over 500 persons on Abaco Island. Those persons, with the people that they support directly or indirectly, constitute over half the population of that island. This is an undeveloped island other than for our operation industrially.

We have made very substantial capital expenditures there. Over a thousand miles of roads, dock facilities, as I have said, and machine shops, school buildings, housing, general merchandise, storm and water supply system.

I want to emphasize that the wages we pay there are fully comparable to the wages paid for the same type of labor in the southern

part of the United States. We are able to document that. We operate just as we do in the States. We have a union which we recognize and deal with collectively, and the operation is very much, almost exactly as if it were in Florida or Georgia.

We got into this consideration of sugar because we saw that after June of 1967 these people were going to be without jobs, and the economy of the Bahamas which has been supported by us, particularly in Abaco was going to be in difficulty if we could not find some other form of industrial operation there. We employed Arthur D. Little to survey the matter for us, and they recommended sugar as the obvious thing to—the obvious product to grow. We then employed experts in the sugar field who confirmed the fact that sugar would grow there, and that an economical operation was possible, and on the basis of this, we discussed the matter with the Bahamas Government, and they encouraged us to make this application for a quota for the Bahamas. I may say we are informed that the Bahamas Government has made representations, as it must, through the British Foreign Office and the British Embassy to the State Department in support of the application of a quota for the Bahamas.

I want to say in conclusion, that in our opinion the refusal of the quota to the Bahamas would represent discrimination against the Bahamas because it is the only country in the Western Hemisphere capable of producing sugar economically that does not have a quota. I am happy, I will be happy, to attempt to answer any questions that the committee has.

There is one more thing I want to say. There have been some things in the public press that are completely and thoroughly misleading including some suggestions about an appearance before an executive session of the Agriculture Committee in the House by me which are completely and thoroughly untrue. But I don't want to dignify those by going into them. I think they have no bearing on the question of the merits of this application. And I don't make any apology for an American corporation attempting to make a profit in the Bahamas and also support its economy, and I don't make any apology for an American corporation appearing before you and the Agriculture Committee in the House and pleading its cause and calling upon members of the Agriculture Committee of the House and calling upon the members of this committee.

(The prepared statement of Mr. Laughlin follows:)

SUPPLEMENTAL STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT,
OWENS-ILLINOIS, INC., TOLEDO, OHIO

Identification

I am Hugh C. Laughlin, executive vice president and a director of Owens-Illinois, Inc., which has its headquarters in Toledo, Ohio.

Purpose of appearance

I appear before you today to urge that you give favorable consideration to including a quota which will allow importation of approximately 20,000 tons of raw sugar per year from the Bahamas beginning with the calendar year 1968, in any extension of the Sugar Act of 1948. The bill (H.R. 11135) passed by the U.S. House of Representatives included a quota for the Bahamas of 10,000 tons annually beginning in 1968, provided that satisfactory assurances are furnished the Secretary of Agriculture that the quota can be filled with sugar produced in the Bahamas. I will hereafter refer to such legislation as "the act." The Bahamas, as you know, are a Crown colony of the United Kingdom located immediately to the east of Florida. The Bahamas are designated as an

industrially underdeveloped area by our Department of State but receive no U.S. governmental aid. It is expected that sugar will be produced on Great Abaco Island which is approximately 185 miles east of Palm Beach, Fla.

Benefit of proposed quota for the Bahamas to the United States of America

Among the purposes of the Sugar Act are (1) assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and (2) encouragement to nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purposes of expanding international trade and assuring a stable and adequate supply of sugar. The support of sugarcane growing and raw sugar production in the Bahamas fulfills these purposes from the standpoint of (1) nearness of supply, (2) relatively low-cost production, (3) immediate return to the U.S. economy of dollars expended for sugar purchased from the Bahamas, and (4) support of the economy of an area of crucial political importance to our country.

No offshore country enjoying a sugar quota under the act is located as close to sugar-refining facilities in the United States as Great Abaco, Bahama Islands, which is approximately 185 miles east of Palm Beach, Fla. Delivery time from the Bahamas to U.S. east coast refineries will be a matter of days rather than the substantially longer periods that will prevail in the case of deliveries from most other quota-holding countries. This is desirable at any time and may be crucial in case of international difficulty.

Our studies show that full mechanization, a long growing, harvesting, and manufacturing season (200 to 300 days) and favorable climate and rainfall make for a relatively low-cost operation. Such low-cost production when taken with the stability of the Government of the Bahamas assures ready availability of supply. The existence of a substantial production of sugar in the Bahamas over and above that required for shipments to the United States under the quota here requested, will assure ability to carry reserves to meet emergencies and increases in demands. Such stability of supply and readily available inventories are important in case of U.S. shortages and may prove crucial in case of international difficulties.

U.S. dollars spent for raw sugar will be returned in large part to the United States in the form of purchases of equipment, agricultural produce and other foodstuffs, textiles, and other supplies. This has been the history of the present operations of Owens-Illinois in the Bahamas and of other U.S. operations there, including even U.S. tourism. U.S. exports to the Bahamas in 1964 totaled \$95.8 million¹ compared to imports from the islands in the amount of \$20.5 million.¹ Even if proceeds from tourism and other indirect payments are included, the balance of payments still runs heavily in our favor. Thus, the balance of payments between the Bahamas and the United States distinctly favors our country's support of sugar operations there. Any U.S. dollars spent for Bahamian sugar will be returned quickly to our economy. This is, from an economic standpoint, more like support of domestic sugar operations than support of most other foreign operations.

It goes without saying that support of the economy of our nearest offshore neighbor which is recognized by our Government as the nearest developing country, is also very much in our short-term and long-term interest from a political standpoint. The Bahamas have been most cooperative with our Government in all political matters, including particularly defense support. As we have said before, there is no question as to the stability of the Government of the Bahamas. Our Government has a substantial number of defense and Space Administration installations in the islands, including the important naval facility on Andros Island.

History of the interest of Owens-Illinois in the Bahamas

Owens-Illinois is an Ohio corporation. Its principal businesses in this country are the production of glass containers, table glassware, scientific glassware, plastic products, and paperboard and corrugated shipping containers.

Owens-Illinois also owns or leases and operates extensive woodlands which produce pulpwood, the basic raw material for paperboard production. In 1957, Owens-Illinois commenced the cutting of pulpwood on Grand Bahama Island under a Crown lease. This operation was completed in 1959. Since then, Owens-Illinois has conducted, through a wholly owned subsidiary, what we believe to be the largest pulpwood operation in the world on Great Abaco Island

¹ Source: International Monetary Fund and World Bank.

in the Bahamas. The pulpwood cut there is transported by barges to a paper-board mill located at Jacksonville, Fla. These operations are conducted under a lease from the British Crown which extends until the year 2000. However, current pulpwood cutting operations on Great Abaco will terminate about mid-year 1967, and cannot be resumed until a new crop of pulpwood reaches cutting size there in about 25 years.

Approximately 500 persons whose compensation is equal to that paid in the Southeastern United States for comparable work are employed in these pulpwood operations. These people with their families and persons dependent upon them for support constitute well over half of the population on the island. Owens-Illinois is currently the largest industrial employer in the Bahamas.

We have made capital expenditures of over \$5,300,000 in connection with these operations on Great Abaco. They cover a system of roads over 1,000 miles in length, heavy transportation equipment, a large dock facility, together with supporting machine shops, power and light facilities, offices, housing and school buildings, general merchandise store, and a water supply system.

This is in great contrast to the situation on Great Abaco when Owens-Illinois commenced operations there. We literally waded ashore at the point where our headquarters are now located. There was only one automobile on the whole island, which is 100 miles long. Its economy was most primitive and opportunities for gainful employment almost nonexistent. A description of these pulpwood operations is contained in the brochure entitled "Report of Stewardship—Owens-Illinois of the Bahamas" identified as appendix I which I am filing with the committee, but which is not to be included in the record.

If Owens-Illinois ceases operations on Great Abaco in June 1967, after completion of such pulpwood operation, the economy of that island and of the Bahamas generally will be very adversely affected. The road system, which is essential to the economy of the island, will largely disappear through lack of care. Most important of all, the people now employed will have no immediate source of cash income.

Realizing the seriousness of this situation from the standpoint of the future economy of the island, Owens-Illinois in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco which would provide continuing employment. That firm, after detailed study of a number of agricultural and industrial alternatives, recommended the growing of sugarcane and its manufacture into raw sugar for export as the enterprise which it believed would be economically feasible.

We then employed Booker Bros., McConnell & Co., of London, one of the world's leading sugar agronomists, and Arthur G. Keller, Inc., of Baton Rouge, La., outstanding experts on sugar production, to study in depth sugarcane growth and raw sugar manufacture on Great Abaco. Their conclusions are:

1. Agricultural conditions for growing sugarcane on Great Abaco are nearly ideal. The soil is suitable. There are no frosts. The rainfall is ample in amount and seasonally well distributed for cane production.
2. Industrial conditions for production of raw sugar there are excellent. There is an unusually long milling season, a high degree of mechanization is possible, and there is available a supply of semiskilled and skilled labor.

The conclusions as to agricultural conditions on Great Abaco are fully supported by experimental sugarcane plantings located on the island and owned or controlled by Owens-Illinois. These plantings made in 1964, now provide a source of seed cane for an immediate replanting of 1,500 acres which would allow prompt development of this project. In addition, preliminary engineering now in progress will allow completion of a 50,000-ton capacity mill in late 1967.

Need for quota

Owens-Illinois presently intends to complete this sugarcane growing and milling project on Great Abaco which will begin production in the fall of 1967, after the pulpwood operations I have described are terminated, assuming an adequate quota is granted to the Bahamas and the Bahamian Government allows our participation in filling this quota. Employment for approximately 500 people will be provided. The existing road system, cleared land, hauling and shipping facilities will be preserved and put to constructive use.

The Bahamian Government has been kept fully informed of all of the foregoing and the Premier of the Bahamas has repeatedly expressed the enthusiasm of his Government for this important proposed contribution to the economy of his country. The Bahamian Government is a crown colony with local autonomy.

Nevertheless, it is required to handle external affairs through the British Foreign Office. The Bahamian Government has, in fact, made representations through this channel and via the British Embassy to the U.S. Department of State. These representations have covered the critical importance of a U.S. sugar quota to the Bahamian economy.

A U.S. quota is necessary for support of this project in order to justify an additional capital investment on the order of \$20 million. The so-called world market consists of only 10 percent of the world sugar production and is, therefore, so much subject to Communist-controlled manipulation that neither Owens-Illinois nor any other private enterprise can afford the capital risk involved in such a project without some participation in the U.S. market.

An optimal size operation would require production of approximately 50,000 tons of raw sugar a year; however, we do not ask for access to the U.S. market for this volume. The 20,000-ton quota we are requesting, plus very limited sales of refined sugar in the Bahamas themselves, should make possible a break-even operation. We are prepared to take our chances on the world market, and on additional sales to the United States if other quotas are not met, for sale of the balance of the tonnage of the mill.

Clarifying amendments to House bill

In the bill passed by the House of Representatives (H.R. 11135) there is a technical error. The quota granted to the Bahamas in one subsection of section 202 of the bill is negated by the provisions of an ensuing subsection of the same section of the bill. The Bahamas are not excluded from the provisions of section 202(d) (3) prohibiting a quota for a country which is a net importer of sugar for a 24-month period ending shortly prior to the time when a quota would otherwise be established. The Bahamas will obviously be a net importing country until sugar production starts there in 1967, and thus, would be barred from shipping sugar to the United States in 1968, even though the Secretary of Agriculture finds that the Bahamas are capable of meeting their quota in 1968, as established in section 202(c) (4). This oversight may be easily cured by the amendment suggested in exhibit 1 attached hereto.

Another apparent oversight was the failure to include the Bahamas in the provisions of section 204 of the bill relating to the division of deficits arising from the failure of other Western Hemisphere areas to meet their quotas.

In its report the House Agriculture Committee expressly says on page 13: "The remainder of such deficits arising within the Western Hemisphere would be prorated to other countries within the Western Hemisphere." The bill itself, however, limits the proration to the Western Hemisphere countries listed in section 202(c) (2) (A) whereas, the quota for the Bahamas, a Western Hemisphere country, is covered by section 202(c) (4).

It is particularly important that the Bahamas be included in the distribution of Western Hemisphere deficits since the immediate geographic availability of a Bahamian sugar supply to U.S. processors and consumers is most needed in such deficit situations.

As indicated above, access to the U.S. market for the sale of approximately 20,000 tons of Bahamian sugar annually is necessary to support adequately the proposed sugar operation. The 10,000-ton quota provided in the House bill falls short of meeting this requirement. However, this deficiency can be cured if the Bahamas are included in the distribution of Western Hemisphere deficits, in accordance with the amendment suggested in exhibit 2 attached hereto.

Summary

In summary, quota participation by the Bahamas, as requested above, would provide—

- (1) A close-by, dependable, low-cost source of sugar.
- (2) Support for a friendly, nearby, stable government which has cooperated fully in the matter of defense installations.
- (3) Employment opportunities, the absence of which would cause disruption and tragic hardship.
- (4) Continued use of presently existing road systems, dock and shipping facilities, heavy handling and hauling equipment, housing, schools, utilities, etc.

HUGH C. LAUGHLIN,
Executive Vice President, Owens-Illinois, Inc.

EXHIBIT 1

It is suggested that the bill passed by the House be amended as follows:

In line 14, page 8, after the word "States", strike the period and insert a colon. Then add, "*Provided, however, That the provisions of this subsection shall not apply to the Bahamas for the years 1968 and 1969.*". The subsection, as amended, will then read as follows:

"(3) No quota shall be established for any country for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States: *Provided, however, That the provisions of this subsection shall not apply to the Bahamas for the years 1968 and 1969.*"

EXHIBIT 2

It is suggested that the bill passed by the House be amended by inserting in line 15, page 15, after the word "appropriate", the following: "Notwithstanding any other provision of this act the Bahamas, beginning in the year 1968, for the purpose of this paragraph, shall be deemed to be a foreign country listed in section 202(c) (3) (A)."

Senator LONG. Mr. Laughlin, what is your capacity with Owens of Illinois?

Mr. LAUGHLIN. I am executive vice president of the company and I am a director of the company.

Senator LONG. Are you a managing vice president or are you their public relations man?

Mr. LAUGHLIN. I am not their public relations man. Until very recently I was general manager of their forest products operation, that is 2 years ago, which included the operations in the Bahamas. That was turned over to my first assistant, at my request, and I am now in charge of matters relating to principally negotiations, acquisitions, or divestitures of property and also special projects of which this obviously is one. It is not within our normal business operation.

Senator LONG. Are you an attorney?

Mr. LAUGHLIN. I am admitted to the practice of law but I have not actively practiced law for the past 20 years.

Senator LONG. So with regard to all this publicity I have been reading in the press about lobbyists, you don't come here as a professional lobbyist, you come here as operating vice president pleading the case of your company and pleading for the right to produce some sugar in the Bahamas and sell us some, I take it?

Mr. LAUGHLIN. That is so.

Senator LONG. As I understand it, your argument is if you look at the standards that are set forth in the bill, based on why we buy sugar from one person and don't buy it from others, you contend that you fit that pattern as well as anybody does with the possible exception of the fact that you haven't been in the business but you want to be in the business but you would like to produce some sugar and sell it to us.

Mr. LAUGHLIN. That is correct, sir. That is exactly the point.

Senator LONG. You have one further point on your side if I do say it, sir, and that is talking about if we got short on sugar and you didn't deliver up to your commitments, we could send for you and put you in jail. That is something we can't say about the rest of them.

Mr. LAUGHLIN. You could make an enforceable contract with us, sir, and you can be sure—we were talking about enforceable contracts

that can be made with Owens-Illinois and there would be no question about it.

Senator LONG. Would you have an objection to a clause in this bill to say if you are assigned a quota, you agree to deliver in the event the world market price should exceed the U.S. price?

Mr. LAUGHLIN. No, sir. In addition we would agree to a clause providing that we had to maintain inventories exactly as provided in the bill. We would have no objection to that.

Senator LONG. I have been trying to contend for years that it would be a good idea on the Sugar Act to try to have some device in it to see that if we pay a premium price that the people would get the benefit of it. The Mexicans pointed out to me the way it works. Out in their country, the workers do get the benefit of any additional price they receive. Many of them are small producers, and the Government has a law that makes them share their profits with their workers. But you say that in your instance, that your wages are about the same as the southern United States.

Mr. LAUGHLIN. They are, sir. They are fully comparable to the wages for the same work in the southern part of the United States.

Senator LONG. You think you could meet the production costs of these other Latin American countries?

Mr. LAUGHLIN. I think that we will have a relatively low cost operation. I have no detailed information of production costs in Latin America other than I heard yesterday, but if those statements yesterday are correct, we will do better when we are in full operation.

Senator LONG. Senator Douglas?

Senator DOUGLAS. No questions.

Senator LONG. Thank you very much, sir.

Mr. LAUGHLIN. Thank you.

Senator LONG. I submit for the record two telegrams received by the chairman and a letter which I received.

(The telegrams and letter follow:)

NEW YORK, N.Y., October 4, 1965.

HON. HARRY FLOOD BYRD,
U.S. Senate, Washington, D.C.:

As reported by the Washington Post dated September 23 1965, Venezuela has been granted a sugar quota of over 30,000 tons. Venezuela expropriated without compensation and then confiscated the properties of this company which is owned by citizens and taxpayers residing in 26 States of the United States. This year Venezuela committed wanton acts of vandalism against these properties. It is shocking to think that these same taxpayers would now be asked to contribute toward this largess to the delinquent Government of Venezuela. When this matter is discussed before the Senate Finance Committee it is respectfully requested that these acts of Venezuela be given due consideration.

Best regards,

BENJAMIN S. DOWD,
President, Chemical Natural Resources, Inc.

CASSELTON, N. DAK., October 14, 1965.

Chairman of Senate Finance Committee,
U.S. Senate Office Building,
Washington, D.C.:

The North Dakota Governors Advisory Committee on Sugar which is made up of new and old sugarbeet growers and representatives of allied businesses and labor groups wants it known for the record that it believes the domestic sugar industry deserves a larger share of the American sugar market. It be-

lieves that the American industry deserves immediate relief from its burdensome surplus stocks. The committee also believes that the domestic American sugar industry should not be taking cuts in acreage as growers have had to do the past year but are entitled to full participation in the American consumptive increase that this would be of great benefit to processors, machine and transportation businesses, labor, and all allied interest in the American economy as well as to agriculture of the Nation. Finally the committee feels at this point that the world situation being what it is the termination date of the bill passed by the House today should be shortened to not more than 2 years.

Respectfully submitted.

STATE SENATOR GEORGE SINNER,
Chairman.

ROYALL, KOEGEL & ROGERS,
New York N.Y., October 14, 1965.

Hon. RUSSELL B. LONG,
Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: In view of the brief time which your committee has scheduled for hearings to consider enactment of the Sugar Act of 1965, I have not requested an opportunity to appear personally before your committee on behalf of the Swaziland Sugar Association. Instead I am addressing this letter to you and request that it be made part of and incorporated in the record of the hearings.

Enclosed are two copies of a memorandum which I submitted for inclusion in the record of the hearings before the House Agriculture Committee. It is requested that the enclosed memorandum also be incorporated in and made a part of the record of the hearings before your committee.

There is one aspect of my submission to the House Agriculture Committee which I would like to emphasize in your committee's deliberation. I urged before the House Agriculture Committee that the legislation should also provide that developing countries, regardless of the quota allocated to them, should be permitted to sell to the United States the minimum tonnage which would permit them economically to utilize the available transportation in shipping sugar to this country.

For example, Liberty ships are the smallest vessels normally available in the trade between Lourenco Marques, Mozambique, the port of debarkation for the shipment of sugar from Swaziland, and New York City. The cargo capacity of such vessels is 10,500 long tons or approximately 12,500 short tons, raw value sugar.

Although freight rates for shipping charters vary from time to time, depending upon the circumstances existing at a particular time it is estimated that the charter cost of such a vessel is approximately \$80,000 to \$90,000. Regardless of the tonnage shipped, the freight cost is approximately the same whether the shipment is 12,500 or 6,000 tons. Thus, the freight cost to Swaziland for a shipment of 12,500 short tons would amount to approximately 5 percent of the price at which the sugar is to be sold to the United States. On the other hand, the freight cost to Swaziland on a shipment of 6,000 tons would amount to almost 10 percent of the sales price.

A minimum tonnage allocation of, for example, 12,500 short tons would enable Swaziland and other developing countries similarly situated to take advantage of the most economical transportation available. It would further assist such countries by trade rather than aid to improve their economy.

An additional provision in the legislation providing for a minimum tonnage allocation in any event would not materially increase the total tonnage of sugar imported under any of the proposed formulas and could not possibly have any adverse impact on our market. It is estimated that such a provision would, at most, result in the importation of an additional 40,000 tons of sugar. This would be de minimus in view of the contemplated U.S. consumption of approximately 10 million tons.

I respectfully urge that this matter be considered by your committee.

Sincerely yours,

ROBERT D. LARSEN.

WRITTEN SUBMISSION ON BEHALF OF THE SWAZILAND SUGAR ASSOCIATION (IN ITS CONSIDERATION OF AN EXTENSION OF THE SUGAR ACT)

Swaziland is a small developing country, 6,705 square miles in area, lying between the Transvaal Province of South Africa and Mozambique (or Portuguese east Africa). The population is approximately 288,000, of which 277,000 are Africans coming almost entirely from one tribe—the Swazi; 8,000 are of European descent; and just under 3,000 are of mixed race. The country is unmarked by racial strife and promises to be a symbol of rational and progressive development among the emerging independent nations of Africa.

Swaziland is now a British protectorate and is making rapid progress toward independence. There is already an elected legislative council, the majority of whose members are African. The ruling party whose supporters won all the seats in the election last year is conservative in outlook and anxious to see further development of the economy so that viable independence will be achieved. Independence is expected within a year and certainly will be achieved during the currency of this new U.S. sugar legislation.

The sugar industry which started in 1958 is now the largest and most important industry in Swaziland. Its members employ some 10,000 persons, or more than any other single industry. Sugar exports from Swaziland represent in value approximately 40 percent of total exports. Employment of agricultural and industrial workers by the sugar industry provides an excellent means of enabling Swazi to become skilled workers. Swazi are already operating caterpillar earthmoving machinery used extensively in the industry, driving heavy trucking equipment, and operating the complicated machinery in the sugar mills. In addition, Swazi are employed for clerical and other administrative duties. It is readily apparent that the sugar industry is a most vital factor in the economy of Swaziland.

In 1965 Swaziland was allocated a quota of 9,300 tons in the U.S. market. Prior to 1965 and since 1958, Swaziland's sugar production was integrated with that of South Africa under an intergovernmental agreement whereby South Africa undertook to provide markets for all Swaziland's production on condition that Swaziland's production be restricted to a maximum tonnage. Beginning in 1964 the production limitation was changed to an 8½-percent share of the combined local and export markets of South Africa and Swaziland. Under the agreement, all export sugar was marketed by the South African Sugar Association in its own name. Thus, Swaziland did not appear as a separate entity in international sugar trade. As a consequence, Swaziland was not specifically referred to in the Sugar Act Amendments of 1962. Its participation was reflected, however, in the quota allocated to South Africa in those amendments.

In response to the emergency requirements of the United States in 1963 and 1964, South Africa shipped additional tonnages of sugar which were, in part, available because of the contribution from Swaziland's production to South Africa's general export availability.

By mutual agreement these arrangements, whereby South Africa was responsible for marketing Swaziland sugar, were terminated on December 31, 1964. Now South Africa is no longer in any way responsible for providing markets for Swaziland sugar; Swaziland is now on its own, an entity in the world sugar market. Since Swaziland's own local consumption is only some 8,000 tons, the Swaziland sugar industry is now entirely dependent upon exports. It is only in the context of the Commonwealth Sugar Agreement that Swaziland has any other assured outlet for a proportion of her export availability.

Swaziland's independent position was recognized by the U.S. Department of Agriculture when the quotas for 1965 were determined and Swaziland was allocated 9,300 tons. This represented an 8½-percent share of the combined total of 109,408 tons allocated to Swaziland and South Africa. This action, coming as it did from the first foreign country to establish a consulate in Swaziland, was particularly welcome as evidence of U.S. interest and confidence in the future of the country.

Swaziland now urges the Congress to reaffirm this interest by the allocation of a quota to Swaziland of at least 9,300 tons. In fact, Swaziland respectfully urges that its quota be moderately increased, if possible, to 15,000 or 20,000 tons.

The current 1965-66 crop is expected to produce about 150,000 tons. The estimated production from existing developed caneland in 1966-67 will be on the order of 180,000 tons. A quota in the U.S. market provides a stable outlet at a

satisfactory price which is necessary for stability in the industry particularly in a producing country which, like Swaziland, consumes such a small proportion of its own production.

From a purely commercial viewpoint, a modest increase in the present quota would facilitate shipping arrangements since a quota of 9,300 tons represents only a partial normal cargo load and is less economical to ship. An increased quota, as is urged, would be help in the form of trade to help Swaziland help itself. It would encourage this emerging African nation, soon to become independent, which has already shown every sign of developing in a sensible, responsible, and democratic fashion in the heart of Africa.

Respectfully submitted.

ROBERT D. LARSEN.¹

WASHINGTON, D.C., August 16, 1965.

Senator LONG. That concludes the list of witnesses, and I have asked the reporter that the other statements that have been submitted should be printed as if the witnesses had been available to read it, and the committee will——

Senator DOUGLAS. Mr. Chairman.

Senator LONG. Yes, Senator Douglas.

Senator DOUGLAS. The list of witnesses submitted yesterday was much longer than this list. Did we hear all those that were listed for this morning? We had a full page of witnesses.

Senator LONG. A number of those people came hoping they would be able to testify yesterday, and when they weren't able to testify they submitted their statements and asked that their statements be printed, which, of course, we have done. I now submit for the record a communication from the Department of Agriculture.

(The communication referred to follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., October 14, 1965.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department regarding the amendment (471) to the Sugar Act of 1948 which was introduced on Thursday, October 7, by Senator Fulbright.

The Department is anxious that comprehensive sugar legislation, including provisions for the proration of sugar import quotas to individual countries, be enacted this year. There are, in our view, important advantages to setting country quotas for the next 5 years by legislation provided the legislation employs an objective formula which can be understood by foreign countries. Such a formula has been developed by the administration and is embodied in S. 2567.

If we are to delay until next year the adoption of criteria of import quotas there might well be serious delays and difficulties before legislative assent were given to the proposed criteria. More important, any criteria which may be adopted would leave supplying countries in doubt from year to year as to the quantity they might be permitted to export to the United States. This would create uncertainty regarding their sugar planting and make them a less certain source of supply for the United States. In addition, it would create difficulties for their economic development planning.

The bill which the administration is supporting contains provisions which would permit the President to withhold or expand quotas, "in the national interest." We believe these provisions give the President the discretion necessary to insure that the political and international interest of the United States are reflected in our sugar import policy and at the same time assure adequate supplies to consumers.

¹ Robert D. Larsen is a registered agent under the Foreign Agents Registration Act of 1938, as amended, for the Swaziland Sugar Association, Post Office Box 445, Mbabane, Swaziland, South Africa. A copy of the foregoing is being filed with the Registration Section and said filing is not to be regarded as an indication that the U.S. Government has approved the foregoing.

The Bureau of the Budget advises that there is no objection to the submission of this report from the standpoint of the administration's program.

I hope that the explanation of our views will be helpful to you. The officers of the administration appearing before the Senate Finance Committee will, of course, be prepared to discuss this problem with you.

Sincerely yours,

JOHN A. SCHNITTKER, *Under Secretary.*

Senator LONG. The committee will meet at 2 o'clock in executive session.

(Whereupon, at 10:05 a.m., the committee recessed, subject to call of the Chair.)



LEGISLATIVE HISTORY

Public Law 89-331
H. R. 11135

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Index and summary of H. R. 11135	.1
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INDEX AND SUMMARY OF H. R. 11135

- Aug. 17, 1965 Rep. Cooley introduced H. R. 10496 which was referred to House Agriculture Committee. Print of bill as introduced.
- Aug. 18, 1965 Sen. Moss introduced and discussed S. 2430 which was referred to the Senate Finance Committee. Print of bill and remarks of author.
- Sept. 16, 1965 House committee voted to report H. R. 10496.
- Sept. 17, 1965 Rep. Cooley introduced H. R. 11135 which was referred to House Agriculture Committee. Print of bill as introduced.
- Sept. 21, 1965 House committee reported H. R. 11135 with amendments. H. Report 1046. Print of bill and report.
- Sept. 28, 1965 House Rules Committee granted an open rule on H. R. 11135.
- Sen. Long, La., and others introduced S. 2567 which was referred to Senate Finance Committee. Print of bill as introduced.
- Sept. 30, 1965 House Rules Committee reported resolution for consideration of H. R. 11135. H. Res. 598. H. Report 1110. Print of resolution and report.
- Oct. 7, 1965 Sen. Fulbright submitted and discussed a proposed amendment to H. R. 11135.
- Oct. 12, 1965 House began debate on H. R. 11135.
- H. Agriculture Committee Print: "The Development of Foreign Sugar Quotas in H. R. 11135."
- Oct. 13, 1965 House passed H. R. 11135 as reported.
- Oct. 14, 1965 Rep. Hall discussed sugar bill.
- Oct. 15, 1965 H. R. 11135 was referred to Senate Finance Committee. Print of bill as referred.
- Sen. Symington opposed H. R. 11135.
- Oct. 18, 1965 Senate Committee reported H. R. 11135 with amendment. S. Report 909. Print of bill and report.

Print of bill as introduced

Notes. Print of bill as introduced

17

Report of the committee on the bill

Printed on 31

1965

III

1965

It is to H. R.

in the House of Representatives

III

Report of the committee on the bill

INDEX AND SUMMARY OF H. R. 11135, cont'd

Oct. 19, 1965 Senate began debate on H. R. 11135.

Oct. 20, 1965 Senate passed H. R. 11135 with amendment.
Senate conferees were appointed.
House conferees were appointed.

Oct. 22, 1965 Both Houses received and agreed to the conference report. H. Report 1209. Print of conference report.

Nov. 8, 1965 Approved: Public Law 89-331.

Hearings: H. Agriculture Committee on H. R. 10496.
S. Finance Committee on H. R. 11135 and S. 2567.

DIGEST OF PUBLIC LAW 89-331

SUGAR ACT AMENDMENTS OF 1965.

Includes provisions as follows:

Extends the Act five years to December 31, 1971; increases, beginning with the current year, the quotas for the two mainland domestic areas by 580,000 tons at a national sugar consumption level of 9.7 million tons; assigns all market growth to the quotas of foreign countries until the balance between domestic and foreign quotas is virtually reestablished; continues for the Philippines its basic quota of 1,050,000 tons and adds 10.86 percent of the first 700,000 tons of market growth; assigns small fixed quotas to Ireland and the Bahama Islands; reserves for Cuba 50 percent of that part of the market not assigned to domestic areas, the Philippines, Ireland and the Bahama Islands; allocates the remaining 50 percent to 29 countries; and prorates to those countries in accordance with their basic quotas the Cuban share until such time as that country's quota is restored following its return to the free world, except that the Cuban share arising from consumption in excess of 10 million tons would be prorated only to countries which are members of the Organization of American States. No fee would be assessed on imports. Authorizes the President to withhold and later to restore the quota of any country when he finds either action to be in the national interest and further authorizes him to change the basis of reallocating deficits to countries other than the Philippines when he finds such action to be in the national interest.

A share amounting to 47.22 percent of all deficits would be prorated to the Philippines except that a deficit of a country which is a member of the Central American Common Market would first be allocated to other member countries. The remainder of deficits arising in a domestic area or in any Western Hemisphere country would be prorated to other Western Hemisphere countries. The remainder of deficits arising elsewhere would be prorated to other non-Western Hemisphere countries. In making allocations to Western Hemisphere countries, special consideration would be given to those countries purchasing United States agricultural commodities. This last requirement would not apply when the President exercises his authority to change the basis of reallocation in the national interest.

Requires countries to give assurance before the end of this year that they will supply their quotas and provides for the withholding or reduction of quotas in future years of countries which fail unjustifiably to fill their quotas. It also provides for limiting on a quarterly basis total imports during the first half of each year if such action is needed to support prices.

Authorizes special consideration for certain domestic producers and processors, a provision not recommended by the Administration. The allocation of foreign quotas to countries other than the Republic of the Philippines also differs from the recommendation of the Administration which was based on a formula reflecting the performance of the countries in supplying our market in 1963 and 1964.

89TH CONGRESS
1ST SESSION

H. R. 10496

IN THE HOUSE OF REPRESENTATIVES

AUGUST 17, 1965

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 (1) Paragraphs (1) and (2) (A) of subsection (a)
4 are amended to read as follows:

5 “(a) (1) For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar-----	3,025,000
Mainland cane sugar-----	1,100,000
Hawaii-----	1,110,000
Puerto Rico-----	1,140,000
Virgin Islands-----	15,000
Total-----	6,390,000

8 “(2) (A) To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 amount equal to 65 per centum of the amount by which the
11 Secretary’s determination of requirements of consumers in
12 the continental United States pursuant to section 201 for
13 the calendar year exceeds ten million four hundred thou-
14 sand short tons, raw value, or is less than nine million seven
15 hundred thousand short tons, raw value. Such amount shall
16 be apportioned between the domestic beet sugar area and
17 the mainland cane sugar area on the basis of the quotas for
18 such areas established under paragraph (1) of this subsec-

1 tion and the amounts so apportioned shall be added to, or
2 deducted from the quotas for such areas.”

3 (2) Subsection (b) is amended to read as follows:

4 “(b) For the Republic of the Philippines, in the amount
5 of one million and fifty thousand short tons, raw value, plus
6 10.86 per centum of the amount, not exceeding seven hun-
7 dred thousand short tons, raw value, by which the Secre-
8 tary’s determination of requirements of consumers in the
9 continental United States pursuant to section 201 for the
10 calendar year exceed nine million seven hundred thousand
11 short tons, raw value.”

12 (3) Subsection (c) is amended to read as follows:

13 “(c) (1) For foreign countries other than the Republic
14 of the Philippines, an amount of sugar, raw value, equal
15 to the amount determined pursuant to section 201 less the
16 sum of the quotas established pursuant to subsections (a)
17 and (b) of this section.

18 “(2) For individual foreign countries other than the
19 Republic of the Philippines, by prorating the amount of
20 sugar determined under paragraph (1) of this subsection
21 among foreign countries on the following basis:

1 “(A) For countries in the Western Hemisphere—

Country	Per centum
Cuba-----	57.77
Mexico-----	7.29
Dominican Republic-----	7.21
Peru-----	4.50
Brazil-----	4.14
British West Indies-----	2.28
Argentina-----	1.19
Ecuador-----	.93
Nicaragua-----	.76
Guatemala-----	.66
Costa Rica-----	.65
Colombia-----	.52
Haiti-----	.35
El Salvador-----	.32
Panama-----	.27
British Honduras-----	.08
Venezuela-----	.05

2 “(B) For countries outside the Western Hemi-
3 sphere—

Country	Per centum
Australia-----	3.49
India-----	1.81
South Africa-----	1.81
China, Republic of-----	1.26
France, the French West Indies and Reunion-----	.95
Fiji Islands-----	.85
Mauritius-----	.28
Southern Rhodesia-----	.17
Swaziland-----	.17
Malagasy Republic-----	.14
Ireland-----	.04
Belgium-----	.03
Turkey-----	.03

4 *Provided*, That in no event shall the quotas established
5 under this subsection for Australia, South Africa,

1 France, the French West Indies and Reunion, and
 2 Belgium exceed the following:

Country	Short tons, raw value
Australia-----	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa-----	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium-----	788"

3 (4) Subsections (d), (e), and (f) are hereby amended
 4 to read as follows:

5 “(d) Notwithstanding any other provision of this Act—

6 “(1) (A) During the current period of suspension
 7 of diplomatic relations between the United States and
 8 Cuba, the quota provided for such country under
 9 subsection (c) shall be withheld and a quantity of sugar
 10 equal to such quota shall be prorated to other foreign
 11 countries named in paragraph (2) of subsection (c)
 12 on the basis of the percentages stated therein: *Provided*,
 13 That in no event shall the quota established under this
 14 subsection for Australia, South Africa, France, the

1 French West Indies and Reunion, and Belgium exceed
 2 the following:

Country	Short tons, raw value
Australia-----	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

3 “(B) Whenever and to the extent that the Presi-
 4 dent finds that the establishment or continuation of a
 5 quota or any part thereof for any foreign country, or the
 6 importation of any sugar from any foreign country
 7 under paragraph (2) (A) of this subsection, would be
 8 contrary to the national interest of the United States,
 9 such quota or part thereof shall be withheld or sus-
 10 pended, and such importation shall not be permitted.
 11 A quantity of sugar equal to the amount of any quota
 12 so withheld or suspended shall be prorated to the other
 13 countries listed in subsection (c) (2) (A) on the basis
 14 of the quotas then in effect for such countries.

1 “(C) The quantities of sugar prorated pursuant to
2 the foregoing provisions of this subsection shall be desig-
3 nated as temporary quotas and the term ‘quota’ as
4 defined in this Act shall include a temporary quota
5 established under this subsection.

6 “(2) (A) Whenever the Secretary finds that it is
7 not practicable to obtain the quantity of sugar needed
8 from foreign countries to meet any increase during the
9 year in the requirements of consumers under section 201
10 by apportionment to countries pursuant to subsections
11 (b) and (c) and the foregoing provisions of this sub-
12 section, such quantity of sugar may be imported on a
13 first-come, first-served basis from any foreign country,
14 except that no sugar shall be authorized for importation
15 from Cuba until the United States resumes diplomatic
16 relations with that country and no sugar shall be author-
17 ized for importation hereunder from any foreign country
18 with respect to which a finding by the President is in
19 effect under subsection (d) (1) (B): *Provided*, That
20 such finding shall not be made in the first nine months
21 of the year unless the Secretary also finds that limited
22 sugar supplies and increases in prices have created¹ or
23 may create an emergency situation significantly inter-
24 fering with the orderly movement of foreign raw sugar

1 to the United States. In the event that the requirements
2 of consumers under section 201 are thereafter reduced
3 in the same calendar year, an amount not exceeding
4 such increase in requirements shall be deducted pro rata
5 from the quotas established pursuant to subsection (c)
6 and this subsection.

7 “(B) Sugar imported under the authority of this
8 paragraph (2) shall be raw sugar, except that if the
9 Secretary determines that the total quantity is not rea-
10 sonably available as raw sugar, he may authorize the
11 importation for direct consumption of so much of such
12 quantity as he determines may be required to meet the
13 requirements of consumers in the United States.

14 “(3) No quota shall be established for any country
15 other than Ireland for any of the years following a period
16 of twenty-four months, ending June 30 prior to the es-
17 tablishment of quotas for such year, in which its aggre-
18 gate imports of sugar equaled or exceeded its aggregate
19 exports of sugar from such country to countries other
20 than the United States.

21 “(4) Whenever in any calendar year any foreign
22 country fails, subject to such reasonable tolerance as the
23 Secretary may determine, to fill the quota as established
24 for it pursuant to this Act, the quota for such country
25 for subsequent calendar years shall be reduced by the

1 smaller of (i) the amount by which such country failed
2 to fill such quota or (ii) the amount by which its ex-
3 ports of sugar to the United States in the year such
4 quota was not filled was less than 115 per centum of
5 such quota for the preceding calendar year: *Provided*,
6 That (i) no such reduction shall be made if the country
7 has notified the Secretary before August 1 of such year
8 (or, with respect to events occurring thereafter, as soon
9 as practicable after such events), of the likelihood of
10 such failure and the Secretary finds that such failure
11 was due to crop disaster or other force majeure, unless
12 such country exported sugar in such year to a country
13 other than the United States, in which case the reduc-
14 tion in quota for the subsequent years shall be limited
15 to the amount of such exports, as determined by the
16 Secretary, and (ii) in no event shall the quota for the
17 Republic of the Philippines be reduced to an amount less
18 than nine hundred and eighty thousand short tons, raw
19 value, of sugar.

20 “(5) Any reduction in a quota because of the re-
21 quirements of paragraphs (3) and (4) of this sub-
22 section shall be prorated to other foreign countries in
23 the same manner as deficits are prorated under section
24 204 of this Act. For purposes of determining unfilled

1 portions of quotas, entries of sugar from a foreign coun-
2 try shall be prorated between the temporary quota estab-
3 lished pursuant to paragraph (1) of this subsection and
4 the quota established pursuant to subsection (c).

5 “(e) Whenever the President finds that it is no longer
6 contrary to the national interest of the United States to
7 reestablish a quota or part thereof withheld or suspended
8 under subsection (d) (1) of this section, and, in the case of
9 Cuba, diplomatic relations have been resumed by the United
10 States, such quota shall be restored in the manner the Presi-
11 dent finds appropriate: *Provided*, That the entire amount
12 of such quota shall be restored for the third full calendar
13 year following such finding by the President. The tem-
14 porary quotas established pursuant to subsection (d) (1)
15 shall, notwithstanding any other provision of this section,
16 be reduced pro rata to the extent necessary to restore the
17 quota in accordance with the provisions of this subsection.

18 “(f) Whenever any quota is required to be reduced
19 pursuant to subsection (e) or because of a reduction in
20 the requirements of consumers under section 201 of this
21 Act, and the amount of sugar imported from any country
22 or marketed from any area at the time of such reduction
23 exceeds the reduced quota, the amount of such excess shall,
24 notwithstanding any other provision of this section, be de-

1 ducted from the quota established for such country or
2 domestic area for the next succeeding calendar year.

3 “(g) The Secretary is authorized to limit, through the
4 use of limitations applied on a quarterly basis only, the im-
5 portation of sugar within the quota for any foreign country
6 during the first and second quarters of any calendar year
7 whenever he determines that such limitation is necessary to
8 achieve the objectives of the Act: *Provided*, That this sub-
9 section shall not operate to reduce the quantity of sugar per-
10 mitted to be imported for any calendar year from any coun-
11 try below its quota, including deficits allocated to it, for that
12 year.

13 “(h) The quota established for any foreign country
14 and the quantity authorized to be imported from any country
15 under subsection (d) (2) of this section may be filled only
16 with sugar produced from sugarbeets or sugarcane grown
17 in such country.”

18 SEC. 4. Section 204 of the Sugar Act of 1948, as
19 amended, is amended to read as follows:

20 “SEC. 204. (a) The Secretary shall from time to time
21 determine whether, in view of the current inventories of
22 sugar, the estimated production from the acreage of sugar-
23 cane or sugarbeets planted, the normal marketings within a
24 calendar year of new-crop sugar, and other pertinent factors,

1 any area or country will be unable to market the quota for
2 such area or country. If the Secretary determines that any
3 domestic area or foreign country will be unable to market
4 the quota for such area or country, he shall revise the quota
5 for the Republic of the Philippines by allocating to it an
6 amount of sugar equal to 47.22 per centum of the deficit,
7 and shall allocate an amount of sugar equal to the remainder
8 of the deficit to the countries listed in section 202 (c) (2)
9 (A) on the basis of the quotas then in effect for such coun-
10 tries: *Provided*, That if any quota is restored to Cuba, the
11 maximum per centum of 47.22 of the deficit to be allocated
12 to the Republic of the Philippines shall be reduced to a per
13 centum equal to that which the Philippine quota under sub-
14 section (b) of section 202 bears to the sum of such Philip-
15 pine quota and the quotas then in effect for all foreign coun-
16 tries pursuant to subsection (c) of section 202. If the Sec-
17 retary determines the Republic of the Philippines will be un-
18 able to fill its share of any deficit determined under this sub-
19 section, he shall allocate such unfilled amount to the coun-
20 tries listed in section 202 (c) (2) (A) on the basis of the
21 quotas then in effect for such countries. If the Secretary
22 determines that neither the Republic of the Philippines nor
23 the countries listed in section 202 (c) (2) (A) can fill all of
24 any such deficit, he shall apportion such unfilled amount on
25 such basis and to such foreign countries as he determines is

1 required to fill such deficit. Any reallocation of deficits pur-
2 suant to this subsection shall be subject to the import restric-
3 tions of subsection (d) (1) of section 202. The Secretary
4 shall insofar as practicable determine and allocate deficits
5 so as to assure the availability of the sugar for importation
6 during the calendar year. In any event, any deficit, so far
7 as then known, shall be determined and allocated by August
8 1 of the calendar year. Notwithstanding the foregoing
9 provisions of this subsection, if the President determines that
10 such action would be in the national interest, any part of a
11 deficit which would otherwise be allocated to countries listed
12 in section 202 (c) (2) (A) may be allocated to one or more
13 of such countries with a quota in effect on such basis as the
14 President finds appropriate.

15 “(b) The quota established for any domestic area or
16 any foreign country under section 202 shall not be reduced
17 by reason of any determination of a deficit existing in any
18 calendar year under subsection (a) of this section: *Provided*,
19 That the quota for any foreign country shall be reduced to
20 the extent that it has notified the Secretary that it cannot
21 fill its quota and the Secretary has found under section 202
22 (d) (4) that such failure was due to crop disaster or other
23 force majeure.”

24 SEC. 5. Section 205 of the Sugar Act of 1948, as

1 amended, is amended by adding at the end of subsection (a)
2 the following sentence: "If allotments are in effect at the
3 time of a reduction in a domestic area quota for any year,
4 the amount marketed by a person in excess of the amount
5 of his allotment as reduced in conformity with the reduction
6 in the quota shall not be taken into consideration in estab-
7 lishing an allotment in the next succeeding year for such
8 person, and any allotment established for such person for
9 the next succeeding year shall be reduced by such excess
10 amount."

11 SEC. 6. Section 206 of the Sugar Act of 1948, as
12 amended, is amended to read as follows:

13 "SEC. 206. (a) If the Secretary determines that the
14 prospective importation or bringing into the continental
15 United States, Hawaii, or Puerto Rico of any sugar-contain-
16 ing product or mixture will substantially interfere with the
17 attainment of the objectives of this Act, he may limit the
18 quantity of such product or mixture to be imported or
19 brought in from any country or area to a quantity which
20 he determines will not so interfere: *Provided*, That the
21 quantity to be imported or brought in from any country or
22 area in any calendar year shall not be reduced below the
23 average of the quantities of such product or mixture annually
24 imported or brought in during the most recent three con-

1 consecutive years for which reliable data of the importation or
2 bringing in of such product or mixture are available.

3 “(b) In the event the Secretary determines that the
4 prospective importation or bringing into the continental
5 United States, Hawaii, or Puerto Rico, of any sugar-
6 containing product or mixture will substantially interfere
7 with the attainment of the objectives of this Act and there
8 are no reliable data available of such importation or bring-
9 ing in of such product or mixture for three consecutive years,
10 he may limit the quantity of such product to be imported
11 or brought in annually from any country or area to a quan-
12 tity which the Secretary determines will not substantially
13 interfere with the attainment of the objectives of the Act,
14 provided that such quantity from any one country or area
15 shall not be less than a quantity containing one hundred
16 short tons, raw value of sugar or liquid sugar.

17 “(c) In determining whether the actual or prospective
18 importation or bringing into the continental United States,
19 Hawaii, or Puerto Rico of a quantity of a sugar-containing
20 product or mixture will or will not substantially interfere
21 with the attainment of the objectives of this Act, the Secre-
22 tary shall take into consideration the total sugar content of
23 the product or mixture in relation to other ingredients or to
24 the sugar content of other products or mixtures for similar

1 use, the costs of the mixture in relation to the costs of its
2 ingredients for use in the continental United States, Hawaii,
3 or Puerto Rico, the present or prospective volume of im-
4 portations relative to past importations, the type of packag-
5 ing, whether it will be marketed to the ultimate consumer in
6 the identical form in which it is imported or the extent to
7 which it is to be further subjected to processing or mixing
8 with similar or other ingredients, and other pertinent infor-
9 mation which will assist him in making such determination.
10 In making determinations pursuant to this section, the Sec-
11 retary shall conform to the rulemaking requirements of sec-
12 tion 4 of the Administrative Procedure Act.”

13 SEC. 7. Subsections (d) and (e) of section 207 of the
14 Sugar Act of 1948, as amended, are amended as follows:

15 “(d) Not more than fifty-nine thousand nine hundred
16 and twenty short tons, raw value, of the quota for the Re-
17 public of the Philippines may be filled by direct-consumption
18 sugar.

19 “(e) None of the quota established for any foreign
20 country other than the Republic of the Philippines and none
21 of the deficit prorations and apportionments for any foreign
22 country established under or in accordance with section
23 204 (a) may be filled by direct-consumption sugar: *Pro-*
24 *vided*, That the quotas for Ireland, Belgium, and Panama
25 may be filled by direct-consumption sugar to the extent of

1 two thousand three hundred and eleven short tons, raw
2 value, for Ireland; one hundred and eighty-two short tons,
3 raw value, for Belgium; and three thousand eight hundred
4 and seventeen short tons, raw value, for Panama.”

5 SEC. 8. Section 209 of the Sugar Act of 1948, as
6 amended, is amended by striking from subsection (e) thereof
7 the words “any sugar or liquid sugar” and inserting in lieu
8 thereof the following: “any sugar or liquid sugar in excess
9 of one hundred pounds in any calendar year”.

10 SEC. 9. Section 213 of the Sugar Act of 1948, as
11 amended, is repealed.

12 SEC. 10. Section 302 of the Sugar Act of 1948, as
13 amended, is amended as follows:

14 (1) Paragraph (1) of subsection (b) is amended to
15 read as follows:

16 “(b) (1) The Secretary shall determine for each crop
17 year whether the production of sugar from any crop of sugar-
18 beets or sugarcane will, in the absence of proportionate
19 shares, be greater than the quantity needed to enable the
20 area to meet its quota and provide a normal carryover in-
21 ventory, as estimated by the Secretary for such area for the
22 calendar year during which the larger part of the sugar
23 from such crop normally would be marketed. Such deter-
24 mination shall be made only with respect to the succeeding

1 crop year and only after due notice and opportunity for an
2 informal public hearing. If the Secretary determines that the
3 production of sugar from any crop of sugarbeets or sugar-
4 cane will be in excess of the quantity needed to enable the
5 area to meet its quota and provide a normal carryover inven-
6 tory, he shall establish proportionate shares for farms in such
7 areas as provided in this subsection, except that the deter-
8 minations by the Secretary of proportionate shares for farms
9 in Hawaii and the Virgin Islands in effect on January 1,
10 1965, shall continue in effect until amended or superseded.
11 In determining the proportionate shares with respect to a
12 farm, the Secretary may take into consideration the past pro-
13 duction on the farm of sugarbeets and sugarcane marketed
14 (or processed) for the extraction of sugar or liquid sugar
15 (within proportionate shares when in effect) and the ability
16 to produce such sugarbeets and sugarcane.”

17 (2) The first sentence of paragraph (3) of subsection
18 (b) is amended to read as follows:

19 “(3) In order to make available acreage for growth and
20 expansion of the beet sugar industry, the Secretary in addi-
21 tion to protecting the interest of new and small producers by
22 regulations generally similar to those heretofore promulgated
23 by him pursuant to this Act, shall reserve each year from
24 1962 through 1966, inclusive, from the national sugarbeet

1 acreage requirement established by him, the acreage required
2 to yield sixty-five thousand short tons, raw value, of sugar.”

3 (3) Paragraph (5) of subsection (b) is amended by
4 striking the words “In determining farm proportionate
5 shares” and inserting in lieu thereof the words “Whether
6 farm proportionate shares are or are not determined”.

7 (4) Subsection (b) is amended by adding a new para-
8 graph (8) as follows:

9 “(8) In order to protect the sugarbeet production his-
10 tory for farm operators (or farms) who in any crop year,
11 because of a crop-rotation program or for reasons beyond
12 their control, are unable to utilize all or a portion of the
13 farm proportionate share acreage established pursuant to
14 this section, the Secretary may reserve for a period of not
15 more than three crop years the production history for any
16 such farm operators (or farms) to the extent of the farm
17 proportionate share acreage released. The proportionate
18 share acreage so released may be reallocated to other farm
19 operators (or farms), but no production history shall accrue
20 to such other farm operators (or farms) by virtue of such
21 reallocation of the proportionate share acreage so released.”

22 SEC. 11. Title IV of the Sugar Act of 1948, as amended,
23 is amended as follows:

24 (1) Subsection (b) of section 402 of such Act is

1 amended by adding the following sentence thereto: "The
2 Secretary is authorized to use the services, facilities, and
3 authorities of Commodity Credit Corporation for the purpose
4 of making disbursements to persons eligible to receive pay-
5 ments under title III of this Act: *Provided*, That no such
6 disbursements shall be made by Commodity Credit Corpo-
7 ration unless it has received funds to cover the amounts
8 thereof from appropriations available for the purpose of
9 carrying out such program."

10 (2) Subsection (a) of section 408 of such Act is
11 amended by adding the following at the end thereof:
12 "During any period that the operation of the provisions
13 of title II is so suspended by the President, the Secretary
14 shall estimate for each year the amount of sugar needed to
15 meet requirements of consumers in the United States and
16 the amount the quota for each country would be if cal-
17 culated on the basis as provided in section 202 of this Act.
18 Notice of such estimate and quota calculation shall be pub-
19 lished in the Federal Register. If any country fails to im-
20 port into the continental United States within the quota
21 year, an amount of sugar equal to the amount the quota
22 would be as calculated for such country by the Secretary
23 for such year, the quota established for such country in
24 subsequent years under the provisions of title II shall be

1 reduced as provided in section 202 (d) (4) of this Act:
2 *Provided*, That quotas for subsequent years shall not be
3 reduced when quotas are suspended under this subsection
4 and reimposed in the same calendar year.”

5 (3) Subsection (b) of section 408 of such Act is
6 amended by striking out the last sentence thereof and substi-
7 tuting in lieu thereof the following: “Any quantity so sus-
8 pended shall be allocated in the same manner as deficits are
9 allocated under the provisions of section 204 of this Act.”

10 (4) Subsection (c) of section 408 of such Act is
11 repealed.

12 (5) Section 412 of such Act (relating to termination of
13 the powers of the Secretary under the Act) is amended by
14 striking out “1966” in each place it appears therein and
15 inserting in lieu thereof “1971”.

16 SEC. 12. Section 4501 (b) (relating to termination of
17 taxes on sugar) of the Internal Revenue Code of 1954 is
18 amended by striking out “1967” in each place it appears
19 therein and inserting in lieu thereof “1972”.

20 SEC. 13. The provisions of this Act shall become effec-
21 tive January 1, 1965.

A BILL

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

By Mr. COOLEY

AUGUST 17, 1965

Referred to the Committee on Agriculture

89TH CONGRESS
1ST SESSION

S. 2430

IN THE SENATE OF THE UNITED STATES

AUGUST 18, 1965

Mr. Moss introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 (1) Paragraphs (1) and (2) (A) of subsection (a)
4 are amended to read as follows:

5 “(a) (1) For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

8 “(2) (A) To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 amount equal to 65 per centum of the amount by which the
11 Secretary's determination of requirements of consumers in
12 the continental United States pursuant to section 201 for
13 the calendar year exceeds ten million four hundred thou-
14 sand short tons, raw value, or is less than nine million seven
15 hundred thousand short tons, raw value. Such amount shall
16 be apportioned between the domestic beet sugar area and
17 the mainland cane sugar area on the basis of the quotas for
18 such areas established under paragraph (1) of this subsec-

1 tion and the amounts so apportioned shall be added to, or
2 deducted from the quotas for such areas.”

3 (2) Subsection (b) is amended to read as follows:

4 “(b) For the Republic of the Philippines, in the amount
5 of one million and fifty thousand short tons, raw value, plus
6 10.86 per centum of the amount, not exceeding seven hun-
7 dred thousand short tons, raw value, by which the Secre-
8 tary’s determination of requirements of consumers in the
9 continental United States pursuant to second 201 for the
10 calendar year exceed nine million seven hundred thousand
11 short tons, raw value.”

12 (3) Subsection (c) is amended to read as follows:

13 “(c) (1) For foreign countries other than the Republic
14 of the Philippines, an amount of sugar, raw value, equal
15 to the amount determined pursuant to section 201 less the
16 sum of the quotas established pursuant to subsections (a)
17 and (b) of this section.

18 “(2) For individual foreign countries other than the
19 Republic of the Philippines, by prorating the amount of
20 sugar determined under paragraph (1) of this subsection
21 among foreign countries on the following basis:

1 “(A) For countries in the Western Hemisphere—

Country	Per centum
Cuba.....	57.77
Mexico.....	7.29
Dominican Republic.....	7.21
Peru.....	4.50
Brazil.....	4.14
British West Indies.....	2.28
Argentina.....	1.19
Ecuador.....	.93
Nicaragua.....	.76
Guatemala.....	.66
Costa Rica.....	.65
Colombia.....	.52
Haiti.....	.35
El Salvador.....	.32
Panama.....	.27
British Honduras.....	.08
Venezuela.....	.05

2 “(B) For countries outside the Western Hemi-
3 sphere—

Country	Per centum
Australia.....	3.49
India.....	1.81
South Africa.....	1.81
China, Republic of.....	1.26
France, the French West Indies and Reunion.....	.95
Fiji Islands.....	.85
Mauritius.....	.28
Southern Rhodesia.....	.17
Swaziland.....	.17
Malagasy Republic.....	.14
Ireland.....	.04
Belgium.....	.03
Turkey.....	.03

4 *Provided, That in no event shall the quotas established*
5 under this subsection for Australia, South Africa,

1 France, the French West Indies and Reunion, and
 2 Belgium exceed the following:

Country	Short tons, raw value
Australia-----	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa-----	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium-----	788"

3 (4) Subsections (d), (e), and (f) are hereby amended
 4 to read as follows:

5 " (d) Notwithstanding any other provision of this Act—

6 " (1) (A) During the current period of suspension
 7 of diplomatic relations between the United States and
 8 Cuba, the quota provided for such country under
 9 subsection (c) shall be withheld and a quantity of sugar
 10 equal to such quota shall be prorated to other foreign
 11 countries named in paragraph (2) of subsection (c)
 12 on the basis of the percentages stated therein: *Provided*,
 13 That in no event shall the quota established under this
 14 subsection for Australia, South Africa, France, the

1 French West Indies and Reunion, and Belgium exceed
2 the following:

Country	Short tons, raw value
Australia-----	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

3 “(B) Whenever and to the extent that the Presi-
4 dent finds that the establishment or continuation of a
5 quota or any part thereof for any foreign country, or the
6 importation of any sugar from any foreign country
7 under paragraph (2) (A) of this subsection, would be
8 contrary to the national interest of the United States,
9 such quota or part thereof shall be withheld or sus-
10 pended, and such importation shall not be permitted.
11 A quantity of sugar equal to the amount of any quota
12 so withheld or suspended shall be prorated to the other
13 countries listed in subsection (c) (2) (A) on the basis
14 of the quotas then in effect for such countries.

1 “(C) The quantities of sugar prorated pursuant to
2 the foregoing provisions of this subsection shall be desig-
3 nated as temporary quotas and the term ‘quota’ as
4 defined in this Act shall include a temporary quota
5 established under this subsection.

6 “(2) (A) Whenever the Secretary finds that it is
7 not practicable to obtain the quantity of sugar needed
8 from foreign countries to meet any increase during the
9 year in the requirements of consumers under section 201
10 by apportionment to countries pursuant to subsections
11 (b) and (c) and the foregoing provisions of this sub-
12 section, such quantity of sugar may be imported on a
13 first-come, first-served basis from any foreign country,
14 except that no sugar shall be authorized for importation
15 from Cuba until the United States resumes diplomatic
16 relations with that country and no sugar shall be author-
17 ized for importation hereunder from any foreign country
18 with respect to which a finding by the President is in
19 effect under subsection (d) (1) (B) : *Provided*, That
20 such finding shall not be made in the first nine months
21 of the year unless the Secretary also finds that limited
22 sugar supplies and increases in prices have created¹ or
23 may create an emergency situation significantly inter-
24 fering with the orderly movement of foreign raw sugar

1 to the United States. In the event that the requirements
2 of consumers under section 201 are thereafter reduced
3 in the same calendar year, an amount not exceeding
4 such increase in requirements shall be deducted pro rata
5 from the quotas established pursuant to subsection (c)
6 and this subsection.

7 “(B) Sugar imported under the authority of this
8 paragraph (2) shall be raw sugar, except that if the
9 Secretary determines that the total quantity is not rea-
10 sonably available as raw sugar, he may authorize the
11 importation for direct consumption of so much of such
12 quantity as he determines may be required to meet the
13 requirements of consumers in the United States.

14 “(3) No quota shall be established for any country
15 other than Ireland for any of the years following a period
16 of twenty-four months, ending June 30 prior to the es-
17 tablishment of quotas for such year, in which its aggre-
18 gate imports of sugar equaled or exceeded its aggregate
19 exports of sugar from such country to countries other
20 than the United States.

21 “(4) Whenever in any calendar year any foreign
22 country fails, subject to such reasonable tolerance as the
23 Secretary may determine, to fill the quota as established
24 for it pursuant to this Act, the quota for such country
25 for subsequent calendar years shall be reduced by the

1 smaller of (i) the amount by which such country failed
2 to fill such quota or (ii) the amount by which its ex-
3 ports of sugar to the United States in the year such
4 quota was not filled was less than 115 per centum of
5 such quota for the preceding calendar year: *Provided*,
6 That (i) no such reduction shall be made if the country
7 has notified the Secretary before August 1 of such year
8 (or, with respect to events occurring thereafter, as soon
9 as practicable after such events), of the likelihood of
10 such failure and the Secretary finds that such failure
11 was due to crop disaster or other force majeure, unless
12 such country exported sugar in such year to a country
13 other than the United States, in which case the reduc-
14 tion in quota for the subsequent years shall be limited
15 to the amount of such exports, as determined by the
16 Secretary, and (ii) in no event shall the quota for the
17 Republic of the Philippines be reduced to an amount less
18 than nine hundred and eighty thousand short tons, raw
19 value, of sugar.

20 “(5) Any reduction in a quota because of the re-
21 quirements of paragraphs (3) and (4) of this sub-
22 section shall be prorated to other foreign countries in
23 the same manner as deficits are prorated under section
24 204 of this Act. For purposes of determining unfilled

1 portions of quotas, entries of sugar from a foreign coun-
2 try shall be prorated between the temporary quota estab-
3 lished pursuant to paragraph (1) of this subsection and
4 the quota established pursuant to subsection (c).

5 “(e) Whenever the President finds that it is no longer
6 contrary to the national interest of the United States to
7 reestablish a quota or part thereof withheld or suspended
8 under subsection (d) (1) of this section, and, in the case of
9 Cuba, diplomatic relations have been resumed by the United
10 States, such quota shall be restored in the manner the Presi-
11 dent finds appropriate: *Provided*, That the entire amount
12 of such quota shall be restored for the third full calendar
13 year following such finding by the President. The tem-
14 porary quotas established pursuant to subsection (d) (1)
15 shall, notwithstanding any other provision of this section,
16 be reduced pro rata to the extent necessary to restore the
17 quota in accordance with the provisions of this subsection.

18 “(f) Whenever any quota is required to be reduced
19 pursuant to subsection (e) or because of a reduction in
20 the requirements of consumers under section 201 of this
21 Act, and the amount of sugar imported from any country
22 or marketed from any area at the time of such reduction
23 exceeds the reduced quota, the amount of such excess shall,
24 notwithstanding any other provision of this section, be de-

1 ducted from the quota established for such country or
2 domestic area for the next succeeding calendar year.

3 “(g) The Secretary is authorized to limit, through the
4 use of limitations applied on a quarterly basis only, the im-
5 portation of sugar within the quota for any foreign country
6 during the first and second quarters of any calendar year
7 whenever he determines that such limitation is necessary to
8 achieve the objectives of the Act: *Provided*, That this sub-
9 section shall not operate to reduce the quantity of sugar per-
10 mitted to be imported for any calendar year from any coun-
11 try below its quota, including deficits allocated to it, for that
12 year.

13 “(h) The quota established for any foreign country
14 and the quantity authorized to be imported from any country
15 under subsection (d) (2) of this section may be filled only
16 with sugar produced from sugarbeets or sugarcane grown
17 in such country.”

18 SEC. 4. Section 204 of the Sugar Act of 1948, as
19 amended, is amended to read as follows:

20 “SEC. 204. (a) The Secretary shall from time to time
21 determine whether, in view of the current inventories of
22 sugar, the estimated production from the acreage of sugar-
23 cane or sugarbeets planted, the normal marketings within a
24 calendar year of new-crop sugar, and other pertinent factors,

1 any area or country will be unable to market the quota for
2 such area or country. If the Secretary determines that any
3 domestic area or foreign country will be unable to market
4 the quota for such area or country, he shall revise the quota
5 for the Republic of the Philippines by allocating to it an
6 amount of sugar equal to 47.22 per centum of the deficit,
7 and shall allocate an amount of sugar equal to the remainder
8 of the deficit to the countries listed in section 202 (c) (2)
9 (A) on the basis of the quotas then in effect for such coun-
10 tries: *Provided*, That if any quota is restored to Cuba, the
11 maximum per centum of 47.22 of the deficit to be allocated
12 to the Republic of the Philippines shall be reduced to a per
13 centum equal to that which the Philippine quota under sub-
14 section (b) of section 202 bears to the sum of such Philip-
15 pine quota and the quotas then in effect for all foreign coun-
16 tries pursuant to subsection (c) of section 202. If the Sec-
17 retary determines the Republic of the Philippines will be un-
18 able to fill its share of any deficit determined under this sub-
19 section, he shall allocate such unfilled amount to the coun-
20 tries listed in section 202 (c) (2) (A) on the basis of the
21 quotas then in effect for such countries. If the Secretary
22 determines that neither the Republic of the Philippines nor
23 the countries listed in section 202 (c) (2) (A) can fill all of
24 any such deficit, he shall apportion such unfilled amount on
25 such basis and to such foreign countries as he determines is

1 required to fill such deficit. Any reallocation of deficits pur-
2 suant to this subsection shall be subject to the import restric-
3 tions of subsection (d) (1) of section 202. The Secretary
4 shall insofar as practicable determine and allocate deficits
5 so as to assure the availability of the sugar for importation
6 during the calendar year. In any event, any deficit, so far
7 as then known, shall be determined and allocated by August
8 1 of the calendar year. Notwithstanding the foregoing
9 provisions of this subsection, if the President determines that
10 such action would be in the national interest, any part of a
11 deficit which would otherwise be allocated to countries listed
12 in section 202 (c) (2) (A) may be allocated to one or more
13 of such countries with a quota in effect on such basis as the
14 President finds appropriate.

15 “(b) The quota established for any domestic area or
16 any foreign country under section 202 shall not be reduced
17 by reason of any determination of a deficit existing in any
18 calendar year under subsection (a) of this section: *Provided*,
19 That the quota for any foreign country shall be reduced to
20 the extent that it has notified the Secretary that it cannot
21 fill its quota and the Secretary has found under section 202
22 (d) (4) that such failure was due to crop disaster or other
23 force majeure.”

24 SEC. 5, Section 205 of the Sugar Act of 1948, as

1 amended, is amended by adding at the end of subsection (a)
2 the following sentence: "If allotments are in effect at the
3 time of a reduction in a domestic area quota for any year,
4 the amount marketed by a person in excess of the amount
5 of his allotment as reduced in conformity with the reduction
6 in the quota shall not be taken into consideration in estab-
7 lishing an allotment in the next succeeding year for such
8 person, and any allotment established for such person for
9 the next succeeding year shall be reduced by such excess
10 amount."

11 SEC. 6. Section 206 of the Sugar Act of 1948, as
12 amended, is amended to read as follows:

13 "SEC. 206. (a) If the Secretary determines that the
14 prospective importation or bringing into the continental
15 United States, Hawaii, or Puerto Rico of any sugar-contain-
16 ing product or mixture will substantially interfere with the
17 attainment of the objectives of this Act, he may limit the
18 quantity of such product or mixture to be imported or
19 brought in from any country or area to a quantity which
20 he determines will not so interfere: *Provided*, That the
21 quantity to be imported or brought in from any country or
22 area in any calendar year shall not be reduced below the
23 average of the quantities of such product or mixture annually
24 imported or brought in during the most recent three con-

1 secutive years for which reliable data of the importation or
2 bringing in of such product or mixture are available.

3 “(b) In the event the Secretary determines that the
4 prospective importation or bringing into the continental
5 United States, Hawaii, or Puerto Rico, of any sugar-
6 containing product or mixture will substantially interfere
7 with the attainment of the objectives of this Act and there
8 are no reliable data available of such importation or bring-
9 ing in of such product or mixture for three consecutive years,
10 he may limit the quantity of such product to be imported
11 or brought in annually from any country or area to a quan-
12 tity which the Secretary determines will not substantially
13 interfere with the attainment of the objectives of the Act,
14 provided that such quantity from any one country or area
15 shall not be less than a quantity containing one hundred
16 short tons, raw value of sugar or liquid sugar.

17 “(c) In determining whether the actual or prospective
18 importation or bringing into the continental United States,
19 Hawaii, or Puerto Rico of a quantity of a sugar-containing
20 product or mixture will or will not substantially interfere
21 with the attainment of the objectives of this Act, the Secre-
22 tary shall take into consideration the total sugar content of
23 the product or mixture in relation to other ingredients or to
24 the sugar content of other products or mixtures for similar

1 use, the costs of the mixture in relation to the costs of its
2 ingredients for use in the continental United States, Hawaii,
3 or Puerto Rico, the present or prospective volume of im-
4 portations relative to past importations, the type of packag-
5 ing, whether it will be marketed to the ultimate consumer in
6 the identical form in which it is imported or the extent to
7 which it is to be further subjected to processing or mixing
8 with similar or other ingredients, and other pertinent infor-
9 mation which will assist him in making such determination.
10 In making determinations pursuant to this section, the Sec-
11 retary shall conform to the rulemaking requirements of sec-
12 tion 4 of the Administrative Procedure Act.”

13 SEC. 7. Subsections (d) and (e) of section 207 of the
14 Sugar Act of 1948, as amended, are amended as follows:

15 “(d) Not more than fifty-nine thousand nine hundred
16 and twenty short tons, raw value, of the quota for the Re-
17 public of the Philippines may be filled by direct-consumption
18 sugar.

19 “(e) None of the quota established for any foreign
20 country other than the Republic of the Philippines and none
21 of the deficit prorations and apportionments for any foreign
22 country established under or in accordance with section
23 204 (a) may be filled by direct-consumption sugar: *Pro-*
24 *vided*, That the quotas for Ireland, Belgium, and Panama
25 may be filled by direct-consumption sugar to the extent of

1 two thousand three hundred and eleven short tons, raw
2 value, for Ireland; one hundred and eighty-two short tons,
3 raw value, for Belgium; and three thousand eight hundred
4 and seventeen short tons, raw value, for Panama.”

5 SEC. 8. Section 209 of the Sugar Act of 1948, as
6 amended, is amended by striking from subsection (e) thereof
7 the words “any sugar or liquid sugar” and inserting in lieu
8 thereof the following: “any sugar or liquid sugar in excess
9 of one hundred pounds in any calendar year”.

10 SEC. 9. Section 213 of the Sugar Act of 1948, as
11 amended, is repealed.

12 SEC. 10. Section 302 of the Sugar Act of 1948, as
13 amended, is amended as follows:

14 (1) Paragraph (1) of subsection (b) is amended to
15 read as follows:

16 “(b) (1) The Secretary shall determine for each crop
17 year whether the production of sugar from any crop of sugar-
18 beets or sugarcane will, in the absence of proportionate
19 shares, be greater than the quantity needed to enable the
20 area to meet its quota and provide a normal carryover in-
21 ventory, as estimated by the Secretary for such area for the
22 calendar year during which the larger part of the sugar
23 from such crop normally would be marketed. Such deter-
24 mination shall be made only with respect to the succeeding

1 crop year and only after due notice and opportunity for an
2 informal public hearing. If the Secretary determines that the
3 production of sugar from any crop of sugarbeets or sugar-
4 cane will be in excess of the quantity needed to enable the
5 area to meet its quota and provide a normal carryover inven-
6 tory, he shall establish proportionate shares for farms in such
7 areas as provided in this subsection, except that the deter-
8 minations by the Secretary of proportionate shares for farms
9 in Hawaii and the Virgin Islands in effect on January 1,
10 1965, shall continue in effect until amended or superseded.
11 In determining the proportionate shares with respect to a
12 farm, the Secretary may take into consideration the past pro-
13 duction on the farm of sugarbeets and sugarcane marketed
14 (or processed) for the extraction of sugar or liquid sugar
15 (within proportionate shares when in effect) and the ability
16 to produce such sugarbeets and sugarcane."

17 (2) The first sentence of paragraph (3) of subsection
18 (b) is amended to read as follows:

19 "(3) In order to make available acreage for growth and
20 expansion of the beet sugar industry, the Secretary in addi-
21 tion to protecting the interest of new and small producers by
22 regulations generally similar to those heretofore promulgated
23 by him pursuant to this Act, shall reserve each year from
24 1962 through 1966, inclusive, from the national sugarbeet

1 acreage requirement established by him, the acreage required
2 to yield sixty-five thousand short tons, raw value, of sugar."

3 (3) Paragraph (5) of subsection (b) is amended by
4 striking the words "In determining farm proportionate
5 shares" and inserting in lieu thereof the words "Whether
6 farm proportionate shares are or are not determined".

7 (4) Subsection (b) is amended by adding a new para-
8 graph (8) as follows:

9 "(8) In order to protect the sugarbeet production his-
10 tory for farm operators (or farms) who in any crop year,
11 because of a crop-rotation program or for reasons beyond
12 their control, are unable to utilize all or a portion of the
13 farm proportionate share acreage established pursuant to
14 this section, the Secretary may reserve for a period of not
15 more than three crop years the production history for any
16 such farm operators (or farms) to the extent of the farm
17 proportionate share acreage released. The proportionate
18 share acreage so released may be reallocated to other farm
19 operators (or farms), but no production history shall accrue
20 to such other farm operators (or farms) by virtue of such
21 reallocation of the proportionate share acreage so released."

22 SEC. 11. Title IV of the Sugar Act of 1948, as amended,
23 is amended as follows:

24 (1) Subsection (b) of section 402 of such Act is

1 amended by adding the following sentence thereto: "The
2 Secretary is authorized to use the services, facilities, and
3 authorities of Commodity Credit Corporation for the purpose
4 of making disbursements to persons eligible to receive pay-
5 ments under title III of this Act: *Provided*, That no such
6 disbursements shall be made by Commodity Credit Corpo-
7 ration unless it has received funds to cover the amounts
8 thereof from appropriations available for the purpose of
9 carrying out such program."

10 (2) Subsection (a) of section 408 of such Act is
11 amended by adding the following at the end thereof:
12 "During any period that the operation of the provisions
13 of title II is so suspended by the President, the Secretary
14 shall estimate for each year the amount of sugar needed to
15 meet requirements of consumers in the United States and
16 the amount the quota for each country would be if cal-
17 culated on the basis as provided in section 202 of this Act.
18 Notice of such estimate and quota calculation shall be pub-
19 lished in the Federal Register. If any country fails to im-
20 port into the continental United States within the quota
21 year, an amount of sugar equal to the amount the quota
22 would be as calculated for such country by the Secretary
23 for such year, the quota established for such country in
24 subsequent years under the provisions of title II shall be

1 reduced as provided in section 202 (d) (4) of this Act:
2 *Provided*, That quotas for subsequent years shall not be
3 reduced when quotas are suspended under this subsection
4 and reimposed in the same calendar year.”

5 (3) Subsection (b) of section 408 of such Act is
6 amended by striking out the last sentence thereof and substi-
7 tuting in lieu thereof the following: “Any quantity so sus-
8 pended shall be allocated in the same manner as deficits are
9 allocated under the provisions of section 204 of this Act.”

10 (4) Subsection (c) of section 408 of such Act is
11 repealed.

12 (5) Section 412 of such Act (relating to termination of
13 the powers of the Secretary under the Act) is amended by
14 striking out “1966” in each place it appears therein and
15 inserting in lieu thereof “1971”.

16 SEC. 12. Section 4501 (b) (relating to termination of
17 taxes on sugar) of the Internal Revenue Code of 1954 is
18 amended by striking out “1967” in each place it appears
19 therein and inserting in lieu thereof “1972”.

20 SEC. 13. The provisions of this Act shall become effec-
21 tive January 1, 1965.

A BILL

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

By Mr. Moss

AUGUST 18, 1965

Read twice and referred to the Committee on Finance

concurrent resolution (S. Con. Res. 50) to express the sense of the Congress on including Trust Territory in the Pacific in the State of Hawaii, which was referred to the Committee on Interior and Insular Affairs.

(See the above concurrent resolution printed in full when submitted by Mr. FONG, which appears under a separate heading.)

AMENDMENT AND EXTENSION OF PROVISIONS OF THE SUGAR ACT OF 1948

Mr. MOSS. Mr. President, this morning the House of Representatives began its consideration of H.R. 10496, popularly known as the sugar bill. Since it is imperative that we pass a bill during this session of Congress I am introducing this bill in the Senate today so that action may begin on it immediately. I hope that many of my colleagues from other great sugar-producing States will join me as cosponsors of this legislation.

Mr. President, last year the domestic sugar-producing and refining industry was divided and consequently no amendment to the Sugar Act of 1962 was taken. This year after a series of industrywide conferences there is unanimous agreement among the domestic sugar industry in support of this bill. I ask that the attached list of supporters of this bill be included in the RECORD at the end of my remarks.

This bill will:

First. Allow surplus beet and mainland cane sugar to be disposed of as rapidly as possible.

Second. Avoid excessive acreage cut-backs in the sugar producing areas.

Third. Allow refiners to gradually adjust to import volume.

Fourth. Protect consumers by achieving stability of supply and therefore stability of price.

Mr. President, as a Senator from one of the leading sugar producing States, I hope that this legislation will receive early approval. It is in the interests of the producers, the refiners, and the consumers.

The PRESIDING OFFICER (Mr. MONTROYA in the chair). The bill will be received and appropriately referred; and, without objection, the list will be printed in the RECORD.

The bill (S. 2430) to amend and extend the provisions of the Sugar Act of 1948, as amended, introduced by Mr. Moss, was received, read twice by its title, and referred to the Committee on Finance.

The list presented by Mr. Moss is as follows:

LIST OF ORGANIZATIONS

U.S. SUGARBEET INDUSTRY

Alma Sugar Beet Growers, Inc.
The Amalgamated Sugar Co.
American Crystal Sugar Co.
Ark Valley Beet Growers Association.
The Big Horn Basin Beet Growers Association.
Blissfield Beet Growers Association.
California Beet Growers Association, Ltd.
Caro Sugar Beet Growers, Inc.

Central Nebraska Beet Growers Association.

Croswell Sugar Beet Growers Association.
Findlay District Beet Growers Association.
Finger Lakes Sugarbeet Growers Association.

Fremont Beet Growers Association.
Goshen County Cooperative Beet Growers Association.

The Great Western Sugar Co.
Gunnison Sugar, Inc.
Holly Sugar Corp.
Idaho Sugar Beet Growers Association.
Layton Sugar Co.

Lower Snake River Sugar Beet Growers Association.

Michigan Sugar Co.
Monitor Sugar Beet Growers, Inc.
Monitor Sugar Division of Robert Gage Coal Co.

Montana-Wyoming Beet Growers Association.

The Mountain States Beet Growers Marketing Association of Colorado.

The Mountain States Beet Growers Marketing Association of Montana.

The Nebraska Non-Stock Cooperative Beet Growers Association.

Northern Ohio Sugar Co.
Northwest Nebraska Beet Growers Association.

Nyssa-Nampa District Beet Growers Association.

Red River Valley Sugarbeet Growers Association.

Saginaw Sugarbeet Growers, Inc.
Sebewaing Sugarbeet Growers Association, Inc.

Southern Colorado Beet Growers Association.

Spreckels Sugar Co.
Union Sugar Division, Consolidated Foods Corp.

Utah-Idaho Sugar Co.
Utah Sugarbeet Growers Association.

Washington Sugarbeet Growers Association.

The Western Colorado Beet Growers Marketing Association.

Western Montana Beet Growers Association.

MAINLAND SUGARCANE INDUSTRY

American Sugar Cane League of the U.S.A., representing more than 5,000 growers and 40 processors.

Florida Sugar Cane League, representing the 11 Florida sugar mills and all of the sugarcane growers in Florida.

HAWAIIAN SUGARCANE INDUSTRY

Hawaiian Sugar Planters' Association.

PUERTO RICAN SUGARCANE INDUSTRY

Association of Sugar Producers of Puerto Rico.

Antonio Roig, Sucesores, S. en C.

Azucarera Cayey, Inc.

Central Aguirre Sugar Co.

Central Coloso, Inc.

Central Eureka, Inc.

Central Igualdad, Inc.

Central Mercedita, Inc.

Central Monserrate, Inc.

Central San Francisco.

Compania Azucarera del Camuy, Inc.

Cooperative Azucarera Los Canos.

C. Brewer Puerto Rico, Inc.

Pata Sugar Co., Inc.

South Puerto Rico Sugar Corp.

U.S. CANE SUGAR REFINING INDUSTRY

U.S. Cane Sugar Refiners' Association.

American Sugar Co.

J. Aron & Co., Inc.

California & Hawaiian Sugar Refining Corp.

Henderson Sugar Refinery, Inc.

Imperial Sugar Co.

Refined Syrups & Sugars, Inc.

Revere Sugar Refinery.

Savannah Sugar Refining Corp.

The South Coast Corp.
Su Crest Corp.

EXEMPTION OF WAGES FROM TAX LEVY

Mr. HARTKE. Mr. President, I introduce, for appropriate reference, a bill to amend the Internal Revenue Code by exempting from levy by the Internal Revenue Service property necessary to satisfy the taxpayer's liabilities to his employees for wages and fringe benefits.

The portion of the law to which this amendment applies is that which sets forth the conditions under which the Secretary of the Treasury or his designate may seize and sell property of a taxpayer in order to satisfy his failure or refusal to pay taxes. In the section to which this amendment applies, there are set forth a number of items which are specifically exempted from levy. One such exemption, for example is "any amount payable to an individual with respect to his unemployment, under an unemployment compensation law." But in spite of the fact that wages are generally considered a first claim, there have been instances in which the Government has seized property to satisfy its tax claim and thereby left employees, to which sums are due, without payment of wages or other benefits.

One such instance, for example, was recounted by Congressman THOMAS PELLY when he introduced such a bill in the House in the 88th Congress, a bill which he again introduced this year as H.R. 4647. That case involved the Stewart Hotel in Seattle, Wash., which was delinquent in forwarding withholding taxes. Such a case is not unusual. A hard-pressed business in imminent danger of bankruptcy, as the records will show, is all too often tempted to use the money for other purposes which has been supposedly deducted from wages to pay the employee's income tax or social security withholding.

In the case cited by Mr. PELLY, representatives of the Internal Revenue Service suddenly, and without prior notice, impounded the hotel's bank account. Checks which had just previously been issued in payment of wages to employees had in numerous cases not yet been presented, and when they were the result was that they could not be cashed. These employees as a result lost 2 to 4 weeks of pay, and in many instances the pay they should have received for vacations and other fringe benefits.

Such a dispute over taxes is between the employer and the Government. It is right that we should have recourse to collection of taxes when necessary in such a manner as this. But the employee is an innocent bystander who should not, in effect, be required to pay the delinquent taxes out of his own pocket by foregoing his earnings as an employee. Historically, labor liens have always had a priority over other claims. My bill would specify such treatment, even though it may result in a lesser amount available for the satisfaction of taxes in such a case of seizure of assets.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2431) to amend section 6334 of the Internal Revenue Code of 1954 to exempt from levy property necessary to satisfy the taxpayer's liabilities to his employees for wages and fringe benefits, introduced by Mr. HARTKE, was received, read twice by its title, and referred to the Committee on Finance.

INCLUSION OF TRUST TERRITORY IN THE PACIFIC IN THE STATE OF HAWAII

Mr. FONG. Mr. President, on behalf of myself, the Senator from Alaska [Mr. GRUENING], and the Senator from Texas [Mr. YARBOROUGH], I submit a concurrent resolution to express the sense of Congress that the Trust Territory of the Pacific Islands be included in the State of Hawaii, provided that, first, the people of the State of Hawaii are in favor of including these islands in the State, second, the people of this trust territory approve such a plan to be included as a part of the State of Hawaii, third, the Secretary of the Interior, who is responsible for the administration of this trust territory, conduct a thorough-going investigation and study of all aspects of this proposal, and that he submit his recommendations to the Congress with respect to the feasibility of such a plan and as to the best means to determine the will of the people of the trust territory.

This proposal would fulfill the trusteeship agreement between the United States and the United Nations to grant the trust territory "self government or independence." It would answer charges by critics in the United Nations that the U.S. practices colonialism is not preparing the people of the trust territory as quickly as possible for self government.

This proposal—which envisions extending the borders of the State of Hawaii—is reminiscent of the dream of one of Hawaii's monarchs, King Kalakaua, who reigned between 1874 and 1891.

Kalakaua dreamed of a Polynesian League encompassing the larger part of the vast Pacific Basin to further the happiness, progress, and prosperity of peoples who, though scattered over thousands of miles of tiny islets and archipelagoes, were united by bonds of culture, language, and historical traditions.

Remembered as a merry monarch, the vision of this ruler was not motivated by any grandiose scheme of aggrandizement, nor by any covetousness for Lebensraum, but rather by Kalakaua's genuine concern for the plight of the peoples of the Pacific in the modern world.

Kalakaua's aspirations for a Pacific Confederation are recorded in correspondence between the King and King Malletoa of Samoa, which are now deposited in the archives of my State.

This first recorded attempt to bring about this Pacific Confederation, however, was doomed to failure because of designs upon some of the Pacific island

groups which were harbored by the great powers of that time—particularly Germany.

The plan which I now advance, however, differs from that of Kalakaua in several important respects. While Kalakaua's plan would have united these areas under a monarchy, the instant plan would unit the Pacific islands under a plan the central feature of which is democratic representation and popular sovereignty.

Also, Kalakaua would have included Samoa and Guam in his plan. What I propose would not include these areas.

While my proposal encompasses only the Trust Territory of the Pacific Islands, it does not bar subsequent consideration of any other island or group of islands in the Pacific basin, such as American Samoa or Guam, desiring similar affiliation.

I should point out, however, that the status of the trust territory and that of American Samoa and Guam are quite different. The latter two territories already are American possessions, both being unincorporated, organized territories of the United States, administered by the Department of the Interior.

On the other hand, the trust territory is not a U.S. possession. It is, rather, a territory administered by this country under a trusteeship agreement with the United Nations and, as such, has a very unique place in the American political structure.

The territory embraces three archipelagoes—the Carolines, the Marianas, and the Marshalls—which include some 2,100 small islands, forming 96 island groups of clusters, and scattered over a 3-million-square-mile area of the western Pacific Ocean. The combined land area of these islands totals only 700 square miles. Most of the islands are too small to sustain life, so that only 64 islets are inhabited.

The islands of the trust territory have been divided into six administrative districts, as follows: Palau, Yap, Truk, Ponape, the Marshall Islands, and the Mariana Islands.

I have a map, taken from the 17th annual report of the United States to the United Nations on the administration of the Trust Territory of the Pacific Islands, dated March 1965, which shows the location of these islands in the southwestern Pacific.

The total population of these islands, as of June 30, 1964, was 88,215, the vast majority of whom are classified as Micronesians, except for approximately 1,000 Polynesian inhabitants. These peoples speak nine major indigenous languages, although English and Japanese are the most commonly used tongues.

These islands had been held, in turn, by the Spanish, German, Dutch, and the English in earlier centuries, and in 1899, following the Spanish-American War, Spain sold the Carolines and the Marianas—except Guam, which had been ceded to the United States—to Germany, which also controlled the Marshalls.

German rule over these islands was terminated in 1914 when Japan entered World War I as an allied power and oc-

cupied the islands. After that war, Japan retained these islands as a League of Nations mandate.

The era of Japanese control saw colonization by Japanese citizens and fortification of many islands as Japanese military bases. During World War II these highly strategic island bases became the scenes of historic naval and military campaigns, which I am sure many Senators will recall: Kwajalein, Saipan, Tinian, Truk, Peleliu.

Our military forces occupied the islands, in accordance with the international law of belligerent occupation, until July 18, 1947, when they formally became a United Nations trust territory. Also on that date, under a joint resolution of Congress, the President approved a trusteeship agreement between the United States and the Security Council of the United Nations, placing the islands under the international trusteeship system.

Under the terms of article 6 of our trusteeship agreement with the United Nations, and consonant with the provisions of article 76 of the United Nations Charter, the United States undertook the following responsibilities: First, to "promote the development of the inhabitants of the trust territory toward self-government or independence"; second, to "promote the economic advancement and self-sufficiency of the inhabitants"; third, to "promote the social advancement of the inhabitants," and, fourth, to "promote the educational advancement of the inhabitants."

In our 18 years of stewardship we have achieved, I believe, a great degree of success in fulfilling these responsibilities.

On the political level, there has been significant political maturity and development toward the goal of self-government or independence.

Executive, legislative, and administrative authority of the government of the trust territory is vested in a high commissioner, appointed by the President and subject to the direction of the Secretary of the Interior.

Encouraged by the high commissioner, the Secretary of the Interior, and other representatives of the U.S. Government, the Micronesians themselves took a long step toward self-government and legislative autonomy when they convened the first Congress of Micronesia in Saipan on July 12. This bicameral legislative body—composed of an upper House of Delegates with two members elected from each of six administrative districts, and a lower house, the General Assembly, based on the population of the districts—was the first territorywide, democratically elected legislature in the history of the trust territory.

In addition to this newly created general legislature, there exist district legislatures in each of the six districts, and lesser legislative councils organized under municipal charters in smaller communities. Within this political structure, political organizations, or parties operate in a manner similar to that in this country.

Qualified Micronesians are offered the first opportunities for positions of gov-

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Sept. 17, 1965
For actions of Sept. 16, 1965
89th-1st; No. 171

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HIGHLIGHTS: House committee voted to report sugar bill. Rep. Talcott criticized Labor Dept's farm labor policies. Rep. Todd inserted article re problem of food relationship to enlarging populations. Rep. Chamberlain inserted article favoring 50-50 shipping provision on wheat shipments to Russia.

HOUSE

1. SUGAR. The Agriculture Committee voted to report (but did not actually report) with amendment H. R. 10496, to amend and extend the Sugar Act of 1948.
p. D930
2. FOREIGN TRADE. Agreed to the conference report on H. R. 7969, to correct certain errors in the U. S. Tariff Schedules (pp. 23180-4). The bill includes a provision for duty-free treatment for machines with photoelectric sensing

devices for the sorting, on the basis of color only, of beans, peas, nuts, or similar agricultural products.

Agreed to the conference report on H. R. 5768, to extend for an additional three years, until Nov. 7, 1968, the existing suspension of duties on certain classifications of silk yarn, and to provide for a study of the feasibility of separate classifications for yarns of man-made fibers commonly referred to as textured or texturized yarns. p. 23180

The Ways and Means Committee reported with amendment H. R. 6568, to amend the Tariff Act so as to provide for alteration of the duties on the importation of copra, palm nuts, and palm nut kernels, and the oils therefrom (H. Rept. 1012). p. 23210

3. TRANSPORTATION. Received the conference report on S. 1588, to authorize the Secretary of Commerce to undertake research and development in high-speed ground transportation (H. Rept. 1017). pp. 23187-9
4. AIR POLLUTION. The Rules Committee reported a resolution for consideration of S. 306, to amend the Clean Air Act and to provide for the establishment of a Federal Air Pollution Control Laboratory. p. 23211
5. MILITARY CONSTRUCTION APPROPRIATION BILL. Received the conference report on this bill, H. R. 10323, which includes funds to repay CCC for certain family housing projects financed from foreign currencies (H. Rept. 1018). pp. 23199-200
6. RECLAMATION. The Interior and Insular Affairs Committee reported with amendment H. R. 2020, to authorize construction of the southern Nevada water project (H. Rept. 1011). p. 23210
7. PUBLIC WORKS. The Rules Committee reported a resolution for consideration of S. 2300, to authorize the construction, repair, and preservation of certain public works for rivers and harbors for navigation and flood control. p. 23211
8. ROADS. A subcommittee of the Public Works Committee voted to report to the full committee with amendments H. R. 11050, to provide for scenic development and road beautification of the Federal-aid highway system. p. D931
9. FORESTRY. The "Daily Digest" states that the Merchant Marine and Fisheries Committee voted to report (but did not actually report) "H. R. 10198 (subcommittee discharged), to amend the requirements relating to lumber under the Shipping Act of 1916." pp. D930-1
10. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 969, to authorize redetermination under the Civil Service Retirement Act of annuities of certain reemployed annuitants, and H. J. Res. 569, to require a cost-of-living survey to be made before the cost-of-living allowance for Federal employees in Puerto Rico and the Virgin Islands be reduced. p. D931
Rep. Nelson stated that "the principle of a nonpartisan, politically insulated Federal employee system must be retained" in D. C. if it is granted home rule. pp. 23193-4
11. FOREIGN AID. Rep. Saylor urged a reexamination of the foreign aid program to determine if it "should not be terminated once and for all after the current fiscal year." pp. 23195-6

try Association, Chicago; and Ralph Bryson, representing Independent Garage Owners of America.

Hearings continue tomorrow.

COMMITTEE BUSINESS

Committee on Labor and Public Welfare: Committee, in executive session, ordered favorably reported the nomination of Arthur M. Ross, to be Commissioner of the Bureau of Labor Statistics; a list of routine nominations in the Public Health Service; and the following bills with amendment: S. 597, proposed Medical Library Assistance Act; H.R. 7743, proposed National Vocational Student Loan Insurance Act; and H.R. 9022, providing Federal assistance for school construction in areas affected by major disasters.

Committee also approved with amendment H.R. 7042, relating to the use of additives in manufacturing candy, subject to final approval by the committee mem-

bers of language to be drafted by the staff for inclusion in the report on this bill.

Prior to this action, special subcommittee approved for full committee consideration H.R. 7042.

ALASKAN EXPOSITION

Committee on Public Works: Committee held hearings on S. 2309, providing for U.S. participation in the exposition to be held in Alaska in 1967, with testimony from Senator Bartlett; John Orchard, Bureau of International Commerce, John Wagner, Office of the General Counsel, Bernard Perrette, Economic Development Administration, and Saul Srole, Office of the Assistant Secretary for Economic Affairs, all of the Department of Commerce; Mayor John O'Connell, of Sitka; Herb Adams and Judge Vernon Forbes, both of the Alaska Centennial Commission; Carl Sullivan, Anchorage Centennial Commission; and Dennis Cook and Jim Dinkley, both of "Alaska 67," Fairbanks.

House of Representatives

Chamber Action

Bills Introduced: 21 public bills, H.R. 11102-11122; 12 private bills, H.R. 11123-11134; and 5 resolutions, H.J. Res. 664 and 665, and H. Res. 586-588, were introduced.

Page 23211

Bills Reported: Reports were filed as follows:

(Adverse) H. Res. 574, to direct the Postmaster General to furnish names of temporary summer postal employees (H. Rept. 1010);

H.R. 2020, authorizing the construction, operation, and maintenance of the southern Nevada water project, Nevada, amended (H. Rept. 1011);

H.R. 6568, regarding tariff treatment of copra, palm nut kernels, and the oils therefrom, amended (H. Rept. 1012);

H.R. 9334, providing for the conveyance of certain real property of the United States to the State of Maryland, amended (H. Rept. 1013);

S. 903, relating to the painting, marking, and dismantlement of radio towers (H. Rept. 1014);

H.R. 7169, to amend the Securities Act of 1933 with respect to certain registration fees, amended (H. Rept. 1015);

Conference report on H.R. 8715, to authorize a contribution by the United States to the International Committee of the Red Cross (H. Rept. 1016);

Conference report on S. 1588, to authorize the Secretary of Commerce to undertake research, development, and demonstrations in high-speed ground transportation (H. Rept. 1017);

Conference report on H.R. 10323, making appropriations for military construction for the Department of Defense (H. Rept. 1018);

H. Res. 586, providing for the consideration of and 3 hours of debate on H.R. 3140, to assist in combating heart disease, cancer, and stroke (H. Rept. 1019);

H. Res. 587, providing for the consideration of and 2 hours of debate on S. 306, the Clean Air Act (H. Rept. 1020); and

H. Res. 588, providing for the consideration of, 3 hours of debate on, and the waiving of points of order against, S. 2300, the omnibus rivers and harbors bill (H. Rept. 1021).

Pages 23210-23211

Late Reports: Committee on Rules was granted permission to file sundry reports by midnight Friday. Similar authority was granted to the Committee on Merchant Marine and Fisheries to file a report on S. 944, to provide for expanded research in the oceans and the Great Lakes, and to establish a National Oceanographic Council.

Pages 23160, 23180

Postal Employees: By a record vote of 186 yeas to 180 nays the House adopted a motion to table H. Res. 574, directing the Postmaster General to provide the names of temporary employees employed by the Post Office Department during the summer of 1965.

Pages 23160-23165

Atomic Energy: By a record vote of 337 yeas to 30 nays the House passed S. 2042, extending authority of the AEC to indemnify licensees and contractors under the Atomic Energy Act for public liability, thus clearing the legislation for Presidential action.

H. Res. 579, the rule under which the legislation was considered, was passed earlier by a voice vote.

Pages 23165-23180

Silk Yarn Tariff: By a voice vote the House adopted a conference report on H.R. 5768, to extend for an addi-

tional temporary period the existing suspension of duties on certain classifications of yarns of silk, and sent the legislation to the President. Page 23180

Tariff Schedules: By a voice vote the House adopted the conference report on H.R. 7969, to correct certain errors in the Tariff Schedules of the U.S., and sent the legislation to the Senate. Pages 23180-23184

Interest Equalization Tax Extension: The House by a voice vote adopted the conference report on H.R. 4750, to provide an extension of the interest equalization tax, and sent the legislation to the Senate. Pages 23184-23187

Quorum Call and Record Votes: One quorum call and two record votes developed during the proceedings of the House and they appear on pages 23160, 23164-23165, 23179.

Program for Friday: Adjourned at 5:18 p.m. until Friday, September 17, 1965, at 12 o'clock noon, when the House will act on H. Res. 585, dismissal of the five Mississippi election contests and declaring the returned Members are duly entitled to their seats in the House of Representatives; and the conference report on H.R. 9221, making appropriations for the Department of Defense.

Committee Meetings

SUGAR BILL

Committee on Agriculture: Met in executive session and ordered reported favorably to the House H.R. 10496 (amended), to amend and extend the provisions of the Sugar Act of 1948.

BANK MERGERS

Committee on Banking and Currency: Subcommittee on Domestic Finance continued hearings on S. 1698 and related bills, to exempt bank mergers approved under the Bank Merger Act from operation of the antitrust laws. Testimony was heard from James J. Saxon, Comptroller of the Currency.

NATIONAL LABOR RELATIONS ACT

Committee on Education and Labor: Held a hearing on H.R. 10271, the administration of the National Labor Relations Act of 1935, as amended by the National Labor Relations Board. Testimony was heard from public witnesses.

FEDERAL EMPLOYEES COMPENSATION ACT

Committee on Education and Labor: Select Subcommittee on Labor continued hearings on H.R. 10721, to amend the Federal Employees Compensation Act. Testimony was heard from public witnesses.

FOREIGN BUILDINGS

Committee on Foreign Affairs: Subcommittee on State Department Organization and Foreign Operations met

in executive session to further consider Foreign Buildings Act amendments. No final action was taken.

COMMITTEE REPORTS

Committee on Interstate and Foreign Commerce: Met in executive session and ordered reported favorably to the House the following bills:

H.R. 706 (amended), to amend the Railway Labor Act in order to provide for establishment of special adjustment boards upon the request either of representatives of employees or of carriers to resolve disputes otherwise referable to the National Railroad Adjustment Board;

S. 903, regarding painting and marking of abandoned radio towers; and

H.R. 7169 (amended), to amend the Securities Act of 1933 with respect to certain registration fees.

IMMIGRATION BILLS

Committee on the Judiciary: Subcommittee No. 1 took testimony and acted on several private immigration bills.

DISTRICT COURTS

Committee on the Judiciary: Subcommittee No. 5 met in executive session and approved for full committee action the following bills:

H.R. 1781, to amend section 113(a) of title 28, U.S. Code, to provide that Federal District Court for the Eastern District of North Carolina shall be held at Clinton;

H.R. 2653, to provide for the holding of the U.S. District Court for the District of Connecticut at New London;

H.R. 8317 (amended), to amend section 116 of title 28, U.S. Code, relating to the U.S. District Court for the Eastern and Western Districts of Oklahoma; and

S. 1620 (amended), to consolidate the two judicial districts in South Carolina into a single judicial district with 10 divisions.

MERCHANT MARINE MISCELLANY

Committee on Merchant Marine and Fisheries: Met in executive session and ordered reported favorably to the House the following bills:

S. 944 (amended), to provide for expanded research and development in the marine environment of the U.S. to establish a National Council on Marine Resources and Engineering Development, and a Commission on Marine Science, Engineering and Resources;

S. 1735, to set forth limitations on the use of certain land donated by the University of California for a marine biological laboratory;

H.R. 10327 (amended) (subcommittee discharged), to require operators of ocean cruises between the U.S., its possessions and territories, and foreign countries by chartered vessels to file evidence of financial security

89TH CONGRESS
1ST SESSION

H. R. 11135

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 1965

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 (1) Paragraphs (1) and (2) (A) of subsection (a)
4 are amended to read as follows:

5 “(a) (1) For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

“Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

8 “(2) (A) To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 there shall be added or deducted, as the case may be, an
11 amount equal to 65 per centum of the amount by which the
12 Secretary’s determination of requirements of consumers in
13 the continental United States pursuant to section 201 for
14 the calendar year exceeds ten million four hundred thou-
15 sand short tons, raw value, or is less than nine million seven
16 hundred thousand short tons, raw value. Such amount shall
17 be apportioned between the domestic beet sugar area and
18 the mainland cane sugar area on the basis of the quotas for
19 such areas established under paragraph (1) of this subsec-
20 tion and the amounts so apportioned shall be added to, or
21 deducted from the quotas for such areas.”

1 (2) Subsection (b) is amended to read as follows:

2 “(b) For the Republic of the Philippines, in the amount
3 of one million and fifty thousand short tons, raw value, plus
4 10.86 per centum of the amount, not exceeding seven hun-
5 dred thousand short tons, raw value, by which the Secre-
6 tary’s determination of requirements of consumers in the
7 continental United States pursuant to section 201 for the
8 calendar year exceed nine million seven hundred thousand
9 short tons, raw value.”

10 (3) Subsection (c) is amended to read as follows:

11 “(c) (1) For foreign countries other than the Republic
12 of the Philippines, an amount of sugar, raw value, equal
13 to the amount determined pursuant to section 201 less the
14 sum of the quotas established pursuant to subsections (a)
15 and (b) of this section.

16 “(2) For the calendar year 1965, for individual foreign
17 countries other than the Republic of the Philippines, by pro-
18 rating the amount of sugar determined under paragraph (1)
19 of this subsection among foreign countries on the basis of the
20 quotas established in sugar regulation 811, as amended,
21 issued February 15, 1965 (30 F.R. 2206).

22 “(3) For the calendar years 1966 through 1971, in-
23 clusive, for individual foreign countries other than the
24 Republic of the Philippines, Ireland, and the Bahama
25 Islands, by prorating the amount of sugar determined under

1 paragraph (1) of this subsection, less the amounts required
 2 to establish quotas as provided in paragraph (4) of this
 3 subsection for Ireland and the Bahama Islands, among for-
 4 eign countries on the following basis:

5 “(A) For countries in the Western Hemisphere:

“Country	Per centum
Cuba_____	44.25
Mexico_____	8.41
Dominican Republic_____	8.41
Brazil_____	8.41
Peru_____	6.71
British West Indies_____	3.71
Ecuador_____	1.24
French West Indies_____	1.06
Colombia_____	1.06
Costa Rica_____	1.04
Nicaragua_____	.95
Guatemala_____	.81
Venezuela_____	.76
El Salvador_____	.75
Haiti_____	.71
Panama_____	.62
Argentina_____	.53
British Honduras_____	.49
Bolivia_____	.10
Honduras_____	.10

6 “(B) For countries outside the Western Hemisphere:

“Country	Per centum
Australia_____	4.00
Republic of China_____	1.66
India_____	1.60
South Africa_____	.73
Fiji_____	.60
Thailand_____	.49
Mauritius_____	.35
Swaziland_____	.15
Southern Rhodesia_____	.15
Malagasy Republic_____	.15

7 “(4) For the calendar year 1966 and each subsequent
 8 calendar year, for Ireland, in the amount of ten thousand
 9 short tons, raw value, of sugar; and for the calendar year

1 1968 and each subsequent calendar year, for the Bahama
2 Islands, in the amount of ten thousand short tons, raw value,
3 of sugar: *Provided*, That the Secretary obtains such assur-
4 ances from each such country as he may deem appropriate
5 prior to January 1 of each such calendar year that the quota
6 for such year will be filled.”

7 (4) Subsections (d), (e), and (f) are hereby amended
8 and subsection (g) is added to read as follows:

9 “(d) Notwithstanding any other provision of this Act—

10 “(1) (A) During the current period of suspension
11 of diplomatic relations between the United States and
12 Cuba, the quota provided for Cuba under subsection (c)
13 shall be withheld and a quantity of sugar equal to such
14 quota shall be prorated as follows:

15 “(i) any quantity up to and including the
16 amount of quota withheld from Cuba at a determi-
17 nation of ten million short tons, raw value, under
18 section 201 shall be prorated to other foreign coun-
19 tries named in paragraph (3) of subsection (c) on
20 the basis of the percentages stated therein; and, in
21 addition,

22 “(ii) any quantity in excess of the amount of
23 quota withheld from Cuba at a determination of
24 ten million short tons, raw value, under section 201,
25 shall be prorated to other foreign countries named

1 in paragraph 3 (A) of subsection (c) that are mem-
2 bers of the Organization of American States on the
3 basis of the percentages stated therein.

4 “(B) Whenever and to the extent that the Presi-
5 dent finds that the establishment or continuation of a
6 quota or any part thereof for any foreign country would
7 be contrary to the national interest of the United States,
8 such quota or part thereof shall be withheld or sus-
9 pended, and such importation shall not be permitted.
10 A quantity of sugar equal to the amount of any quota
11 so withheld or suspended shall be prorated to the other
12 countries listed in subsection (c) (3) (A) (other than
13 any country whose quota is withheld or suspended) on
14 the basis of the quotas then in effect for such countries.

15 “(C) The quantities of sugar prorated pursuant to
16 the foregoing provisions of this subsection shall be desig-
17 nated as temporary quotas and the term ‘quota’ as
18 defined in this Act shall include a temporary quota
19 established under this subsection.

20 “(2) (A) Whenever the Secretary finds that it is
21 not practicable to obtain the quantity of sugar needed
22 from foreign countries to meet any increase during the
23 year in the requirements of consumers under section 201
24 by apportionment to countries pursuant to subsections
25 (b) and (c) and the foregoing provisions of this sub-

section, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B) : *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

“(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the

1 Secretary determines that the total quantity is not rea-
2 sonably available as raw sugar, he may authorize the
3 importation for direct consumption of so much of such
4 quantity as he determines may be required to meet the
5 requirements of consumers in the United States.

6 “(3) No quota shall be established for any country
7 other than Ireland for any of the years following a period
8 of twenty-four months, ending June 30 prior to the es-
9 tablishment of quotas for such year, in which its aggre-
10 gate imports of sugar equaled or exceeded its aggregate
11 exports of sugar from such country to countries other
12 than the United States.

13 “(4) Whenever in any calendar year any foreign
14 country fails, subject to such reasonable tolerance as the
15 Secretary may determine, to fill the quota as established
16 for it pursuant to this Act, the quota for such country
17 for subsequent calendar years shall be reduced as fol-
18 lows:

19 “(a) the quota established under section 202
20 (b), and the quotas established under sections 202
21 (c) and 202 (d) (1) for any country having a quota
22 at the end of the preceding year of less than two hun-
23 dred thousand short tons, raw value, shall be reduced
24 by the smaller of (i) the amount by which such
25 country failed to fill such quota or (ii) the amount

1 by which its exports of sugar to the United States
2 in the year such quota was not filled were less than
3 115 per centum of such quota for the preceding
4 calendar year; and

5 “(b) the quota established under section 202
6 (c) and section 202 (d) (1) for any such country
7 having a quota at the end of the preceding calendar
8 year of two hundred thousand short tons, raw value,
9 or more shall be reduced by the smaller of (i) the
10 amount by which such country failed to fill such
11 quota or (ii) the amount by which its exports of
12 sugar to the United States in the year such quota
13 was not filled were less than 130 per centum of such
14 quota for the preceding calendar year: *Provided*,
15 That (i) no such reduction shall be made if the
16 country has notified the Secretary before August 1
17 of such year (or, with respect to events occurring
18 thereafter, as soon as practicable after such events),
19 of the likelihood of such failure and the Secretary
20 finds that such failure was due to crop disaster or
21 other force majeure, unless such country exported
22 sugar in such year to a country other than the
23 United States, in which case the reduction in quota
24 for the subsequent years shall be limited to the

1 amount of such exports, as determined by the
2 Secretary, (ii) the reduction in quota for any coun-
3 try having a quota established under section 202 (c)
4 and section 202 (d) (1) at the end of the preceding
5 calendar year of two hundred thousand short tons,
6 raw value, or more shall be limited, if the quota
7 for any such country on July 1 of the year
8 in which such quota was not filled is less
9 than 130 per centum of its quota for the pre-
10 ceding calendar year, to the larger of (A) the
11 amount by which its exports of sugar to the United
12 States in the year such quota was not filled were less
13 than 125 per centum of the quotas for the preceding
14 year or (B) the amount by which its exports of
15 sugar to the United States in the year such quota
16 was not filled were less than such quota on July 1,
17 and (iii) in no event shall the quota for the Re-
18 public of the Philippines be reduced to an amount
19 less than nine hundred and eighty thousand short
20 tons, raw value, of sugar.

21 “(5) Any reduction in a quota because of the re-
22 quirements of paragraphs (3) and (4) of this sub-
23 section shall be prorated to other foreign countries in
24 the same manner as deficits are prorated under section
25 204 of this Act. For purposes of determining unfilled

portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

“(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) (B) of this section, and, in the case of Cuba under subsection (d) (1) (A) of this section, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

“(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be de-

1 ducted from the quota established for such country or
2 domestic area for the next succeeding calendar year.

3 “(g) The quota established for any foreign country
4 and the quantity authorized to be imported from any country
5 under subsection (d) (2) of this section may be filled only
6 with sugar produced from sugarbeets or sugarcane grown
7 in such country.”

8 SEC. 4. Section 204 of the Sugar Act of 1948, as
9 amended, is amended to read as follows:

10 “SEC. 204. (a) The Secretary shall from time to time
11 determine whether, in view of the current inventories of
12 sugar, the estimated production from the acreage of sugar-
13 cane or sugarbeets planted, the normal marketings within a
14 calendar year of new-crop sugar, and other pertinent factors,
15 any area or country will be unable to market the quota for
16 such area or country. If the Secretary determines that any
17 domestic area or foreign country listed in section 202 (c)
18 (3) (A) will be unable to market its quota, he shall revise
19 the quota for the Republic of the Philippines by allocating to
20 it an amount of sugar equal to 47.22 per centum of the
21 deficit, and shall allocate an amount of sugar equal to the
22 remainder of the deficit to the countries listed in section
23 202 (c) (3) (A) on the basis of the quotas then in effect
24 for such countries: *Provided*, That any deficit resulting from
25 the inability of a country which is a member of the Central

1 American Common Market to fill its quota shall first be
2 allocated to the other member countries on the basis of the
3 quotas then in effect for such countries: *And provided fur-*
4 *ther,* That if any quota is restored to Cuba, the maximum
5 per centum of 47.22 of the deficit to be allocated to the
6 Republic of the Philippines shall be reduced to a per centum
7 equal to that which the Philippine quota under subsection
8 (b) of section 202 bears to the sum of such Philippine quota
9 and the quotas then in effect for all foreign countries pursu-
10 ant to subsection (c) of section 202. If the Secretary
11 determines the Republic of the Philippines will be unable to
12 fill its share of any deficit determined under this subsection,
13 he shall allocate such unfilled amount to the countries listed
14 in section 202 (c) (3) (A) on the basis of the quotas then
15 in effect for such countries. If the Secretary determines that
16 neither the Republic of the Philippines nor the countries
17 listed in section 202 (c) (3) (A) can fill all of any such
18 deficit, he shall apportion such unfilled amount on such basis
19 and to such foreign countries as he determines is required
20 to fill such deficit. If the Secretary determines that any
21 foreign country with a quota established pursuant to section
22 202 (c) (3) (B) or section 202 (c) (4) will be unable to
23 market the quota for such area or country, he shall revise the
24 quota for the Republic of the Philippines by allocating to it

1 an amount of sugar equal to 47.22 per centum of the deficit,
2 and shall allocate an amount of sugar equal to the remainder
3 of the deficit to the countries listed in section 202 (c) (3)
4 (B) on the basis of the quotas then in effect for such coun-
5 tries: *Provided*, That if any quota is restored to Cuba, the
6 maximum per centum of 47.22 of the deficit to be allocated
7 to the Republic of the Philippines shall be reduced to a per
8 centum equal to that which the Philippine quota under sub-
9 section (b) of section 202 bears to the sum of such Philip-
10 pine quota and the quotas then in effect for all foreign coun-
11 tries pursuant to subsection (c) of section 202. If the Sec-
12 retary determines the Republic of the Philippines will be un-
13 able to fill its share of any deficit determined under this sub-
14 section, he shall allocate such unfilled amount to the coun-
15 tries listed in section 202 (c) (3) (B) on the basis of the
16 quotas then in effect for such countries. If the Secretary
17 determines that neither the Republic of the Philippines nor
18 the countries listed in section 202 (c) (3) (B) can fill all of
19 any such deficit, he shall apportion such unfilled amount on
20 such basis and to such foreign countries as he determines is
21 required to fill such deficit. Deficits shall not be allocated
22 to any country whose quota has been suspended or withheld
23 pursuant to subsection (d) (1) of section 202. The Secre-
24 tary shall insofar as practicable determine and allocate
25 deficits so as to assure the availability of the sugar for im-

1 portation during the calendar year. In any event, any
2 deficit, so far as then known, shall be determined and allo-
3 cated by August 1 of the calendar year. Notwithstanding
4 the foregoing provisions of this subsection, if the President
5 determines that such action would be in the national interest,
6 any part of a deficit which would otherwise be allocated to
7 countries listed in section 202 (c) may be allocated to one or
8 more of such countries with a quota in effect on such basis
9 as the President finds appropriate.

10 “(b) The quota established for any domestic area or
11 any foreign country under section 202 shall not be reduced
12 by reason of any determination of a deficit existing in any
13 calendar year under subsection (a) of this section: *Provided*,
14 That the quota for any foreign country shall be reduced to
15 the extent that it has notified the Secretary that it cannot
16 fill its quota and the Secretary has found under section 202
17 (d) (4) that such failure was due to crop disaster or other
18 force majeure.”

19 SEC. 5. Section 205 of the Sugar Act of 1948, as
20 amended, is amended, (1) by inserting after the third
21 sentence thereof the following two new sentences: “The
22 Secretary is also authorized in making such allotments of a
23 quota for the mainland cane sugar area for any calendar
24 year after 1966 to take into consideration, in lieu of or in
25 addition to the foregoing factors of processing, past market-

1 ings, and ability to market, the need of establishing an allot-
2 ment which will permit such marketing of sugar as is neces-
3 sary for reasonably efficient operation during each of the first
4 two years of operation of a new sugarcane processing facility
5 or mill that begins the production of sugar from sugarcane
6 for the first time after the calendar year 1966. The Secre-
7 tary is also authorized in making such allotments of a quota
8 for any calendar year to take into consideration, in lieu of
9 or in addition to the foregoing factors of processing, past
10 marketings, and ability to market, the need for establishing
11 an allotment which will permit such marketing of sugar as is
12 necessary for the reasonably efficient operation of any non-
13 affiliated single plant processor of sugarbeets or any processor
14 of sugarcane and as may be necessary to avoid unreasonable
15 carryover of sugar in relation to other processors in the
16 area: *Provided*, That the marketing allotment of any such
17 processor of sugarbeets shall not be increased under this pro-
18 vision above an allotment of twenty-five thousand short tons,
19 raw value, and the marketing allotment of a processor of
20 sugarcane shall not be increased under this provision above
21 an allotment equal to the effective inventory of sugar of such
22 processor on January 1 of the calendar year for which such
23 allotment is made, except that the marketing allotment for
24 1965 of a processor of sugarcane, other than a processor-
25 refiner, who had a physical inventory of sugar on January 1,

1 1964, equal to 55 per centum or more of his 1963 crop pro-
2 duction may be increased by an additional six thousand
3 two hundred short tons of sugar, raw value: *Provided,*
4 *further,* That the total increases in marketing allotments
5 made to processors in the domestic beet sugar and main-
6 land cane sugar areas pursuant to this sentence shall be
7 limited to twenty-five thousand short tons of sugar, raw
8 value, for each such area for each calendar year.”; and (2)
9 by adding at the end of subsection (a) the following sen-
10 tence: “If allotments are in effect at the time of a reduction
11 in a domestic area quota for any year, the amount marketed
12 by a person in excess of the amount of his allotment as re-
13 duced in conformity with the reduction in the quota shall
14 not be taken into consideration in establishing an allotment
15 in the next succeeding year for such person, and any allot-
16 ment established for such person for the next succeeding year
17 shall be reduced by such excess amount.”

18 SEC. 6. Section 206 of the Sugar Act of 1948, as
19 amended, is amended to read as follows:

20 “SEC. 206. (a) If the Secretary determines that the
21 prospective importation or bringing into the continental
22 United States, Hawaii, or Puerto Rico of any sugar-contain-
23 ing product or mixture will substantially interfere with the
24 attainment of the objectives of this Act, he may limit the
25 quantity of such product or mixture to be imported or

1 brought in from any country or area to a quantity which
2 he determines will not so interfere: *Provided*, That the
3 quantity to be imported or brought in from any country or
4 area in any calendar year shall not be reduced below the
5 average of the quantities of such product or mixture annually
6 imported or brought in during the most recent three con-
7 secutive years for which reliable data of the importation or
8 bringing in of such product or mixture are available.

9 “(b) In the event the Secretary determines that the
10 prospective importation or bringing into the continental
11 United States, Hawaii, or Puerto Rico, of any sugar-
12 containing product or mixture will substantially interfere
13 with the attainment of the objectives of this Act and there
14 are no reliable data available of such importation or bring-
15 ing in of such product or mixture for three consecutive years,
16 he may limit the quantity of such product to be imported
17 or brought in annually from any country or area to a quan-
18 tity which the Secretary determines will not substantially
19 interfere with the attainment of the objectives of the Act,
20 provided that such quantity from any one country or area
21 shall not be less than a quantity containing one hundred
22 short tons, raw value of sugar or liquid sugar.

23 “(c) In determining whether the actual or prospective
24 importation or bringing into the continental United States,
25 Hawaii, or Puerto Rico of a quantity of a sugar-containing

1 product or mixture will or will not substantially interfere
2 with the attainment of the objectives of this Act, the Secre-
3 tary shall take into consideration the total sugar content of
4 the product or mixture in relation to other ingredients or to
5 the sugar content of other products or mixtures for similar
6 use, the costs of the mixture in relation to the costs of its
7 ingredients for use in the continental United States, Hawaii,
8 or Puerto Rico, the present or prospective volume of im-
9 portations relative to past importations, the type of packag-
10 ing, whether it will be marketed to the ultimate consumer in
11 the identical form in which it is imported or the extent to
12 which it is to be further subjected to processing or mixing
13 with similar or other ingredients, and other pertinent infor-
14 mation which will assist him in making such determination.
15 In making determinations pursuant to this section, the Sec-
16 retary shall conform to the rulemaking requirements of sec-
17 tion 4 of the Administrative Procedure Act.”

18 SEC. 7. Subsections (d) and (e) of section 207 of the
19 Sugar Act of 1948, as amended, are amended as follows:

20 “(d) Not more than fifty-nine thousand nine hundred
21 and twenty short tons, raw value, of the quota for the Re-
22 public of the Philippines may be filled by direct-consumption
23 sugar.

24 “(e) None of the quota established for any foreign
25 country other than the Republic of the Philippines and none

1 of the deficit prorations and apportionments for any foreign
2 country established under or in accordance with section
3 204 (a) may be filled by direct-consumption sugar: *Pro-*
4 *vided*, That the quotas for Ireland, Belgium, and Panama
5 may be filled by direct-consumption sugar to the extent of
6 ten thousand short tons, raw value, for Ireland; one hundred
7 and eighty-two short tons, raw value, for Belgium; and three
8 thousand eight hundred and seventeen short tons, raw
9 value, for Panama.”

10 SEC. 8. Section 209 of the Sugar Act of 1948, as
11 amended, is amended by striking from subsection (e) thereof
12 the words “any sugar or liquid sugar” and inserting in lieu
13 thereof the following: “any sugar or liquid sugar in excess
14 of one hundred pounds in any calendar year”; and by adding
15 a new subsection (f) as follows:

16 “(f) From importing into the continental United States
17 from foreign countries any raw sugar within the applicable
18 quota, or the proration of any such quota, unless the weight
19 of such raw sugar has been determined after arrival into the
20 continental United States and has been certified by a person
21 who is primarily engaged in the weighing of commodities
22 for others and who directly or indirectly neither buys or sells
23 sugar nor is owned, controlled, or associated with a person
24 that buys or sells sugar.”

1 SEC. 9. Section 213 of the Sugar Act of 1948, as
2 amended, is repealed.

3 SEC. 10. Section 302 of the Sugar Act of 1948, as
4 amended, is amended as follows:

5 (1) Paragraph (1) of subsection (b) is amended to
6 read as follows:

7 “(b) (1) The Secretary shall determine for each crop
8 year whether the production of sugar from any crop of sugar-
9 beets or sugarcane will, in the absence of proportionate
10 shares, be greater than the quantity needed to enable the
11 area to meet its quota and provide a normal carryover in-
12 ventory, as estimated by the Secretary for such area for the
13 calendar year during which the larger part of the sugar
14 from such crop normally would be marketed. Such deter-
15 mination shall be made only with respect to the succeeding
16 crop year and, beginning with the 1966 crop year, only
17 after due notice and opportunity for an informal public
18 hearing. If the Secretary determines that the production
19 of sugar from any crop of sugarbeets or sugarcane will be in
20 excess of the quantity needed to enable the area to meet its
21 quota and provide a normal carryover inventory, he shall
22 establish proportionate shares for farms in such areas as
23 provided in this subsection, except that the determinations
24 by the Secretary of proportionate shares for farms in Hawaii

1 and the Virgin Islands in effect on January 1, 1965, shall
2 continue in effect until amended or superseded. In deter-
3 mining the proportionate shares with respect to a farm, the
4 Secretary may take into consideration the past production
5 on the farm of sugarbeets and sugarcane marketed (or proc-
6 essed) for the extraction of sugar or liquid sugar (within
7 proportionate shares when in effect) and the ability to pro-
8 duce such sugarbeets and sugarcane.”

9 (2) The first sentence of paragraph (3) of subsection
10 (b) is amended to read as follows:

11 “(3) In order to make available acreage for growth and
12 expansion of the beet sugar industry, the Secretary in addi-
13 tion to protecting the interest of new and small producers by
14 regulations generally similar to those heretofore promulgated
15 by him pursuant to this Act, shall reserve each year from
16 1962 through 1966, inclusive, from the national sugarbeet
17 acreage requirement established by him, the acreage required
18 to yield sixty-five thousand short tons, raw value, of sugar.”

19 (3) Paragraph (3) of subsection (b) is amended by
20 inserting “(A)” after the figure (3) and by adding at
21 the end of paragraph (3) the following subparagraph (B):

22 “(B) In order to make available acreage for the growth
23 and expansion of the mainland cane industry by a new
24 sugarcane processing facility, the Secretary is authorized to
25 reserve each crop year for three consecutive crop years an

1 amount of acreage estimated to yield twenty-five thousand
2 short tons of sugar, raw value, from the acreage which would
3 be allocated to sugarcane producers in the mainland cane
4 sugar area for each of three consecutive crop years beginning
5 not earlier than the year immediately following the first cal-
6 endar year after 1965 for which the Secretary's determination
7 of requirements of consumers pursuant to section 201 exceeds
8 ten million four hundred thousand short tons, raw value: *Pro-*
9 *vided*, That the quantity allocated to the mainland cane
10 sugar area for such calendar year pursuant to section 202
11 (a) (2) (A) is not less than twenty-five thousand short tons
12 of sugar, raw value. The acreage so reserved for each of
13 the three consecutive crop years shall be distributed for each
14 such crop year on a fair and reasonable basis, when it can
15 be utilized, to farms without regard to any other acreage
16 allocation for establishing farm proportionate shares deter-
17 mined by him, on the condition that the sugarcane produced
18 on such farms shall be delivered for each of such three con-
19 secutive crop years to the new processing facility in the
20 locality to which reserve acreage is committed as hereafter
21 provided. The Secretary shall commit the reserve acreage
22 estimated by him to yield twenty-five thousand short tons
23 of sugar, raw value, for each of the three consecutive crop
24 years to the locality determined by him to receive the
25 reserve, and such commitment of reserve shall be irrevocable

1 upon issuance of the determination of such commitment
2 by publication in the Federal Register; except that if the
3 Secretary finds in any case that construction of the sugar-
4 cane processing facility has not proceeded in substantial
5 accordance with the representations made to him as a
6 basis for his determination of commitment of the reserve
7 acreage, he shall revoke such determination in accordance
8 with and upon publication in the Federal Register of such
9 findings. In any State in the continental United States
10 where there was no mill for commercially processing sugar-
11 cane into sugar in 1965, commitment of reserve acreage
12 shall be made to the locality where sugarcane will be
13 delivered from farms for the commercial recovery of sugar
14 by a sugarcane processing facility or mill which begins
15 operation for the first time. In determining commitment
16 of the reserve acreage and if proposals are made to con-
17 struct sugarcane processing facilities in two or more localities
18 where sugarcane production is scheduled to commence in
19 the same year or succeeding years, the Secretary shall base
20 his determination and selection upon the firmness of capital
21 commitment, suitability for growing sugarcane, the lack of
22 proximity of other mills, need for a cash crop or a replace-
23 ment crop, and accessibility to sugar markets, and the rela-
24 tive qualifications of localities under such criteria. The com-
25 mitment of reserve acreage shall be determined by the

1 Secretary after investigation, the publication of notice and
2 such informal public hearings, if any, as the Secretary deems
3 appropriate under the prevailing circumstances.”

4 (4) Paragraph (5) of subsection (b) is amended by
5 striking the words “In determining farm proportionate
6 shares” and inserting in lieu thereof the words “Whether
7 farm proportionate shares are or are not determined”.

8 (5) Subsection (b) is amended by adding new para-
9 graphs (8) and (9) as follows:

10 “(8) In order to protect the sugarbeet production his-
11 tory for farm operators (or farms) who in any crop year,
12 because of a crop-rotation program or for reasons beyond
13 their control, are unable to utilize all or a portion of the
14 farm proportionate share acreage established pursuant to
15 this section, the Secretary may reserve for a period of not
16 more than three crop years the production history for any
17 such farm operators (or farms) to the extent of the farm
18 proportionate share acreage released. The proportionate
19 share acreage so released may be reallocated to other farm
20 operators (or farms), but no production history shall accrue
21 to such other farm operators (or farms) by virtue of such
22 reallocation of the proportionate share acreage so released.

23 “(9) The Secretary is authorized to reserve from the
24 national sugarbeet acreage requirements for the 1966, 1967,
25 and 1968 crops of sugarbeets a total acreage estimated to

1 yield not more than twenty-five thousand short tons, raw
2 value, for each such crop to provide any nonaffiliated single
3 plant processor of sugarbeets with an estimated quantity of
4 sugar for marketing of not to exceed twenty-five thousand
5 short tons of sugar, raw value. The Secretary is also author-
6 ized to reserve from the acreage which would otherwise be
7 allocated to sugarcane producers in the mainland cane sugar
8 area for the 1965 and 1966 crops of sugarcane a total acre-
9 age estimated to yield not more than twenty-five thousand
10 short tons of sugar, raw value, for each such crop to relieve
11 hardship on the part of producers who planted sugarcane
12 for the first time for harvest in the crop years 1964 and
13 1965 and in allocating such acreage the Secretary shall
14 give consideration to the amount by which the acreage of
15 sugarcane in 1965 exceeds the proportionate share for the
16 1965 crop: with first consideration in allocating such acre-
17 age to farms on which the 1965 crop proportionate share
18 has been overplanted by more than 200 per centum in an
19 amount sufficient to bring the proportionate shares of such
20 farms up to the acreage growing: *Provided*, That acreage
21 allocated hereunder for the 1965 crop shall be in addition
22 to the total acreage heretofore allocated in such area for the
23 1965 crop. The Secretary shall allocate the acreage pro-
24 vided for in this paragraph to farms on such basis as he

1 determines necessary to accomplish the purposes for which
2 such acreages are provided under this paragraph.”

3 SEC. 11. (1) Subsection (b) of section 402 of such
4 Act is amended by adding the following sentence thereto:
5 “The Secretary is authorized to use the services, facilities,
6 and authorities of Commodity Credit Corporation for the
7 purpose of making disbursements to persons eligible to re-
8 ceive payments under title III of this Act: *Provided*, That
9 no such disbursements shall be made by Commodity Credit
10 Corporation unless it has received funds to cover the amounts
11 thereof from appropriations available for the purpose of
12 carrying out such program.”

13 (2) Subsection (a) of section 408 of such Act is
14 amended by adding the following at the end thereof:
15 “During any period that the operation of the provisions
16 of title II is so suspended by the President, the Secretary
17 shall estimate for each year the amount of sugar needed to
18 meet requirements of consumers in the United States and
19 the amount the quota for each country would be if cal-
20 culated on the basis as provided in section 202 of this Act.
21 Notice of such estimate and quota calculation shall be pub-
22 lished in the Federal Register. If any country fails to im-
23 port into the continental United States within the quota
24 year, an amount of sugar equal to the amount the quota

1 would be as calculated for such country by the Secretary
2 for such year, the quota established for such country in
3 subsequent years under the provisions of title II shall be
4 reduced as provided in section 202 (d) (4) of this Act:
5 *Provided*, That quotas for subsequent years shall not be
6 reduced when quotas are suspended under this subsection
7 and reestablished in the same calendar year.”

8 (3) Subsection (b) of section 408 of such Act is
9 amended by striking out the last sentence thereof and sub-
10 stituting in lieu thereof the following: “Any quantity so
11 suspended shall be allocated in the same manner as deficits
12 are allocated under the provisions of section 204 of this
13 Act.”

14 (4) Subsection (c) of section 408 of such Act is
15 amended to read as follows:

16 “(c) In any case in which a nation or a political sub-
17 division thereof has hereafter (1) nationalized, expropriated,
18 or otherwise seized the ownership or control of the property
19 or business enterprise owned or controlled by United States
20 citizens or any corporation, partnership or association not
21 less than 50 per centum beneficially owned by United States
22 citizens or (2) imposed upon or enforced against such prop-
23 erty or business enterprise so owned or controlled, dis-
24 criminatory taxes or other exactions, or restrictive mainte-
25 nance or operational conditions not imposed or enforced

1 with respect to the property or business enterprise of a like
2 nature owned or operated by its own nationals or the nationals
3 of any government other than the Government of the United
4 States or (3) imposed upon or enforced against such prop-
5 erty or business enterprise so owned or controlled, discrimina-
6 tory taxes or other exactions, or restrictive maintenance or
7 operational conditions, or has taken other actions, which have
8 the effect of nationalizing, expropriating or otherwise seizing
9 ownership or control of such property or business enterprise
10 or (4) violated the provisions of any bilateral or multi-
11 lateral international agreement to which the United States
12 is a party, designed to protect such property or business en-
13 terprise so owned or controlled, and has failed within six
14 months following the taking of action in any of the above
15 categories to take appropriate and adequate steps to remedy
16 such situation and to discharge its obligations under inter-
17 national law toward such citizen or entity, including the
18 prompt payment to the owner or owners of such property or
19 business enterprise so nationalized, expropriated or other-
20 wise seized or to provide relief from such taxes, exactions,
21 conditions or breaches of such international agreements, as
22 the case may be, or to arrange, with the agreement of the
23 parties concerned, for submitting the question in dispute
24 to arbitration or conciliation in accordance with procedures
25 under which final and binding decision or settlement will be

1 reached and full payment or arrangements with the owners
2 for such payment made within twelve months following
3 such submission, the President shall suspend any quota, pro-
4 ration of quota, or authorization to import sugar under this
5 Act of such nation until he is satisfied that appropriate steps
6 are being taken. Any quantity so suspended shall be allo-
7 cated in the same manner as deficits are allocated under sec-
8 tion 204 of this Act.”

9 (5) Section 412 of such Act (relating to termination of
10 the powers of the Secretary under the Act) is amended by
11 striking out “1966” in each place it appears therein and
12 inserting in lieu thereof “1971”.

13 SEC. 12. Section 4501 (b) (relating to termination of
14 taxes on sugar) of the Internal Revenue Code of 1954 is
15 amended by striking out “1967” in each place it appears
16 therein and inserting in lieu thereof “1972”.

17 SEC. 13. Except as hereinafter provided, the provisions
18 of this Act shall become effective January 1, 1965. The
19 amendments made by section 4 of this Act shall become
20 effective January 1, 1966.

A BILL

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

By Mr. COOLEY

SEPTEMBER 17, 1965

Referred to the Committee on Agriculture

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
INFORMATION ONLY;
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Issued Sept. 22, 1965
For actions of Sept. 21, 1965
89th-1st; No. 174

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HIGHLIGHTS: Both Houses agreed to conference report on water pollution bill. House committee reported sugar bill.

HOUSE

1. SUGAR. The Agriculture Committee reported with amendments H. R. 11135, to amend the Sugar Act (H. Rept. 1046). p. 23759
2. WATER POLLUTION. Both Houses agreed to the conference report on S. 4, the proposed Water Quality Act of 1965, to establish the Federal Water Pollution Control Administration, to provide grants for research and development, to increase grants for municipal sewage treatment works, to authorize establishment of water-quality standards, etc. This bill will now be sent to the President. pp. 23670-1, 23694-700
3. RIVERS-HARBORS; FLOOD CONTROL. Began debate on S. 2300, the rivers-and-harbors and flood-control bill. pp. 23700-842

4. WATERSHEDS. Received from the Budget Bureau plans for watershed projects as follows: Zeigler Creek, Nebr.; Elko, Nev.; Swan Quarter, N. C.; Frogville Creek, Okla.; Chocolate, Little Chocolate, and Lynn Bayou, Tex.; to Agriculture Committee. Bayou Boeuf, La.; Mauch Chunk Creek, Pa.; Middle Creek, Pa.; and Oil Creek, Pa.; to Public Works Committee. p. 23758
5. TRAVEL. Passed without amendment S. J. Res. 98, to continue through 1966 the period for promotion of travel in the U. S. This measure will now be sent to the President. pp. 23689-90
6. ELMER THOMAS. Rep. Johnson, Okla., spoke in memory of Elmer Thomas, late Chairman of the Senate Agriculture and Forestry Committee. pp. 23690-1
7. ECONOMICS. Rep. Patman commended the President's economic policies. pp. 23743-4
8. PERSONNEL. Rep. Beckworth commended the Civil Service Commission's plans for assurance that summer employees will be selected on a merit basis and with a broader geographical distribution. pp. 23754-5
9. STATION TRANSFERS. The Executive and Legislative Reorganization Subcommittee of the Government Operations Committee approved H. R. 10607, amended, to provide for reimbursement of certain moving expenses of employees, and to authorize payment of expenses for storage of household goods and personal effects of employees assigned to isolated duty stations within the continental U. S. p. D947
10. ELECTRIFICATION. The Subcommittee on Communications and Power of the Interstate and Foreign Commerce Committee approved S. 1459, amended, to exempt REA cooperatives from Federal Power Commission jurisdiction. p. D947
11. ROADS. The Public Works Committee voted to report (but did not actually report) S. 2084, amended, to provide for scenic development and road beautification of the Federal-aid highway systems. p. D947
12. LEGISLATIVE PROGRAM. The Daily Digest states that the House will today consider the rivers-harbors bill, the HemisFair bill, and the Dade County Center bill. p. D946

SENATE

13. LEGAL AID. Passed as reported S. 1758, to provide for the right of persons to be represented by attorneys in matters before Federal agencies. pp. 23627-36
14. DEFENSE DEPARTMENT APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 9221, which includes a provision authorizing the Defense Department to purchase milk for enlisted personnel which was previously furnished without charge by CCC. This bill will now be sent to the President. pp. 23674-82
15. MILITARY CONSTRUCTION APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 10323, which includes funds to repay CCC for certain family housing projects financed from foreign currencies. This bill will now be sent to the President. pp. 23682-86
16. PERSONNEL. A subcommittee of the Post Office and Civil Service Committee voted to report to the full committee S. 1769 and H. R. 6165, which give department heads discretion as to whether to appoint women. p. D945

SUGAR ACT AMENDMENTS OF 1965

SEPTEMBER 21, 1965.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

together with

SEPARATE VIEWS, MINORITY VIEWS, AND OPPOSING VIEWS

[To accompany H.R. 11135]

The Committee on Agriculture to whom was referred the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

On page 5, line 6, strike out the period and quotation marks and insert "with sugar produced in such country".

Page 5, beginning on line 15, strike out "up to and including the amount".

Page 5, line 17, after the word "determination" insert "up to and including the amount".

Page 5, line 22, strike out "in excess of the amount" and on line 23, after the word "determination" insert "in excess of the amount".

Page 6, line 1, insert parenthesis around the figure "3".

Page 8, line 7, strike out "other than Ireland".

Page 8, line 19, change the lower case "(a)" to upper case "(A)".

Page 9, line 4, strike out "year; and" and insert "year: *Provided*, That in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar; and".

Page 9, line 5, change the lower case "(b)" to upper case "(B)".

Page 9, line 15, after the word "reduction" insert "under either subparagraphs (a) or (b)".

Page 10, line 2, after "Secretary," insert "and".

Page 10, line 10, strike out "(A)" and insert "(1)".

Page 10, line 13, strike out "125" and insert "115".

Page 10, line 14, strike out "(B)" and insert "(2)".

Page 10, line 16, change the comma after "July 1" to a period and strike out all of lines 17, 18, 19, and 20.

Page 13, line 12, after the word "under" insert "the foregoing provisions of".

Page 14, beginning on line 13, strike out "under this subsection," and insert "for any country listed in Section 202 (c)(3)(B),".

Page 14, line 15, after the word "countries" insert "so".

Page 14, line 15, after the word "listed" strike out "in Section 202 (c)(3)(B)".

Page 20, line 4, strike out, "Belgium,".

Page 20, beginning on line 6, strike out the semicolon and "one hundred and eighty-two short tons, raw value, for Belgium;".

Page 20, beginning on line 14, change the semicolon to a period and strike out the remainder of line 14 and all of lines 15 through 24.

PURPOSE AND MAJOR PROVISIONS

H.R. 11135 extends the Sugar Act, with modifications, for 5 years, to December 31, 1971.

The sugar program of the U.S. Government, first established in 1934, is intended to do three things: (1) Make it possible, as a matter of national security, to produce a substantial portion of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a nearby stable and adequate store of sugar.

These major objectives have been achieved.

Under this act, more than 40 percent of our total consumption of sugar now is produced by beet and cane growers within the continental limits of the United States, and total domestic production—including Hawaii, Puerto Rico, and the Virgin Islands—fills 65 percent of our sugar needs. The Sugar Act has given us this security in supplies, and sugar prices to consumers have been remarkably stable during the lifetime of the act.

H.R. 11135 perpetuates the objectives of the Sugar Act of 1948, which superseded the Sugar Acts of 1937 and 1934. It strengthens the program by temporarily assigning a greater portion of the U.S.

market to domestic beet and cane producers, and by an equitable and dependable distribution of quotas, for the remainder of our market, among the producers of friendly nations, principally to good neighbor countries in the Western Hemisphere.

H.R. 11135 rejects the "global quota" concept of foreign sugar purchases which contributed in 1963-64 to the only peacetime domestic sugar crisis during the life of the act, and it reestablishes the tried and long-proven quota system on a country-by-country basis.

H.R. 11135 rejects the import fee, and thereby—giving trade precedence over aid in dealing with friendly nations—restores to these countries the opportunity to sell sugar in the U.S. market at the American price.

Thus, the bill reinstates supply and price insurance for the American consumer.

To accomplish this, H.R. 11135 would:

DOMESTIC AREAS

Increase marketing quotas for domestic areas by 580,000 tons beginning with the current year, but would assign all market growth to the foreign quotas until such quotas reach approximately the same proportion of the market as provided under the current act.

With annual national requirements of 9.7 million tons (used as a base for calculation in the Sugar Act) the marketing quota for the domestic beet sugar area would be increased by 375,000 tons to 3,025,000 tons and the quota for the mainland cane sugar area, by 205,000 tons to 1,100,000 tons. These quotas would be unaffected by any change in requirements between 9.7 and 10.4 million tons but would absorb 65 percent of any reduction from or addition to requirements outside of that range, apportioned between the two areas in relation to their basic quotas.

The annual assignments to domestic areas:

	<i>Short tons</i>
Domestic beet sugar.....	3, 025, 000
Mainland cane sugar.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000

FOREIGN SUPPLIERS

The Philippines retain their present quota of 1,050,000 tons and in addition will receive 10.86 percent of the increase in consumption between 9.7 and 10.4 million tons plus 47.22 percent of any deficits except those arising in and absorbed by the Central American Common Market.

The country-by-country quotas for other foreign suppliers of the U.S. sugar market are shown in the following table:

Percent for 1966-71 compared with percent in 1962 act and allotment of foreign quotas and allocations at 9,700,000 and 10,000,000 tons

	Percent 1962 act	Percent in H.R. 11135	H.R. 11135 quota and allocation at 9,700,000	H.R. 11135 projected quota and allocation at 10,000,000
(A) For countries in the Western Hemisphere:				
Cuba.....	57.77	44.25	0	0
Mexico.....	6.71	8.41	340,925	386,181
Dominican Republic.....	6.71	8.41	340,925	386,181
Brazil.....	6.37	8.41	340,925	386,181
Peru.....	6.71	6.71	272,013	308,121
British West Indies.....	3.19	3.71	150,397	170,363
Ecuador.....	.88	1.24	50,267	56,940
French West Indies.....	1.06	1.06	42,970	48,074
Colombia.....	1.06	1.06	42,970	48,764
Costa Rica.....	.88	1.04	42,159	47,756
Nicaragua.....	.88	.95	38,511	43,623
Guatemala.....	.71	.81	32,836	37,194
Venezuela ¹	0	.76	30,809	34,597
El Salvador.....	.36	.75	30,403	34,439
Haiti.....	.71	.71	28,782	32,603
Panama.....	.53	.62	25,134	28,470
Argentina ¹	0	.53	21,485	24,337
British Honduras.....	.35	.49	19,864	22,500
Bolivia ¹	0	.10	4,054	4,592
Honduras ¹	0	.10	4,054	4,592
Subtotal.....	37.11	45.87	1,859,483	2,106,318
(B) For countries outside the Western Hemisphere:				
Australia.....	1.41	4.00	162,152	183,677
Republic of China.....	1.24	1.66	67,293	76,226
India.....	.71	1.60	64,861	73,471
South Africa.....	.71	.73	29,593	33,521
Fiji.....	.35	.60	24,323	27,552
Thailand ¹	0	.49	19,864	22,500
Mauritius ¹	0	.35	14,188	16,071
Swaziland ¹	0	.15	6,081	6,888
Southern Rhodesia ¹	0	.15	6,081	6,888
Malagasy Republic ¹	0	.15	6,081	6,888
Subtotal.....	4.42	9.98	400,517	453,682
Total.....	² 99.30	100.00	2,260,000	³ 2,560,000

¹Proposed new quotas.

²Netherlands 0.35 percent, Paraguay 0.35 dropped. Failed to fill quota under 1962 act.

³Total reduced by 32,580 tons by Philippine growth and by quotas of 10,000 tons each, when effective, to Ireland and Bahamas.

(NOTE.—In the above table the quotas are set on a percentage basis, as indicated in column 2. The actual tonnage quota will vary from year to year, as consumption of sugar increases in the United States. Calculations in the Sugar Act have been based for many years on a 9,700,000-ton consumption figure. The last column of the above table shows approximately what the tonnage quotas will be if the U.S. consumption in 1966 is 10 million tons. The tonnage allocations indicated in the last two columns include the Cuban quota redistributed pro rata to other countries.)

The distribution of the foreign quotas approved by the committee is an extension with some modifications of the 1962 quotas, which have operated so successfully, with no country receiving a percentage of the foreign quota smaller than in the 1962 act. The committee has followed, in the distribution of foreign quotas, the same considerations as it followed in 1962.

The bill embraces the program proposal for the domestic industry agreed upon by all elements of the industry—without change except that a national reserve not to exceed 25,000 tons is established with respect to both beet and mainland cane, in order to take care of

hardships and inequities. These reserves are intended to provide allotments for processors and producers who, for some unusual reason, did not establish adequate production histories prior to 1965.

In addition to the major assignments for participation in U.S. sugar market, the bill provides:

Special quotas of 10,000 tons for Ireland starting in 1966 and for Bahamas starting in 1968, if each area gives the Secretary, before January 1 of each year, such assurance as he may require that the quota will be filled from sugar produced within the country.

Deficits arising in domestic areas will go 47.22 percent to the Philippines and the balance to Western Hemisphere countries.

Deficits arising in countries outside the Western Hemisphere will go 47.22 percent to the Philippines and pro rata to other non-Western Hemisphere countries.

Deficits arising in countries of the Western Hemisphere will go 47.22 percent to the Philippines with the balance prorated among other Western Hemisphere countries except that deficits arising in countries of the Central American Common Market (Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, and Panama, when Panama becomes a member) are to be offered first to other members of the Common Market.

All increase in the Cuban reserve resulting from a quota of more than 10 million tons to go pro rata to quota countries which are members of the Organization of American States.

Countries except the Philippines with quotas of 200,000 tons or more will be encouraged to retain reserves of 30 percent of their quota until July 1.

Other improvements in the Sugar Act are reflected in the detailed discussion of H.R. 11135 which occurs later in this report.

STATEMENT

H.R. 11135 is the product of a unique demonstration of cooperation among all elements of the domestic sugar industry, of clear and forthright presentations by spokesmen for foreign suppliers, and of a bipartisan determination in the Committee on Agriculture to maintain the principles and objectives of the Sugar Act through the most equitable and just treatment of all suppliers of the U.S. sugar market, domestic and foreign.

Thorough hearings were held before the committee and every person desiring to be heard, whether representing the Department of Agriculture, the domestic industry, foreign suppliers, or only his own individual view, was given the opportunity to speak before the committee.

When these hearings were complete and printed, the 35 members of the committee, without any reference whatever to party affiliation, worked together to develop the legislation here presented.

MAJOR IMPACTS

The committee was virtually unanimous in its decisions on major provisions of the bill. Outside the assignment of allocations and quotas, the major impacts of H.R. 11135 as heretofore mentioned are these:

1. It returns the procurement of sugar from foreign suppliers to the country-by-country quota basis, abandoning the so-called global quota sugar acquisitions under which in 1963 and 1964 the sugar program encountered the only serious difficulties in its 30-year history.

2. It repeals all authority for assessment of import or premium recapture fees against sugar sent into this country by foreign suppliers, thus guaranteeing that these suppliers through the incentives of the U.S. market price and to protect their quotas, will meet specific supply obligations to American consumers regardless of supply and price fluctuations around the world.

With respect to the fee upon sugar imports, the committee took into consideration the fact that the United States, through the Alliance for Progress and other programs, seeks to encourage the economic development of several of the nations now supplying sugar to this country. It did not seem to be good policy to members of the committee that the United States would assess a fee upon trade with a friendly neighbor and then, in effect, return the proceeds from the fee in the form of aid. The committee prefers to give trade precedence over aid in our dealing with friendly peoples.

THE "GLOBAL QUOTA" CALAMITY

The "global quota" concept was presented by the administration in 1962. It proposed that the country-by-country quotas for sugar imported into the United States at the domestic market price be abandoned and, instead, the issuance of import permits within the limitations of a "global quota" and collecting on each pound of sugar an import fee representing the difference between the world market price and the domestic price of raw sugar.

The committee never has understood the origin nor the rationalization of this concept.

To follow the "global quota" concept there would be no more inducement for a foreign producer to sell sugar to the United States than to any other country in the world. Thus the supply insurance for American consumers would be removed, for in periods when, for any reason, the world price of sugar was above the U.S. price we could obtain this sugar only by outbidding every other country which wanted it, and American consumers would be at the mercy of world markets and speculators.

In 1962, when it became apparent that Cuba could no longer be relied upon as a major supplier of sugar for the United States, the Committee on Agriculture reported a new bill dividing approximately half of the Cuban quota permanently among other foreign suppliers, reserving the other half for Cuba when it might return to the community of free nations, but in the meantime dividing it temporarily among other foreign suppliers. Prior to the Communist takeover in Cuba, that country had supplied 96 percent of all the foreign sugar purchased in U.S. markets.

However, before the 1962 act became law, the principle of assigning the withheld Cuban quota to specific foreign countries was rejected and, instead, the part of the quota still assigned to Cuba was placed on a "global quota" basis. This had the effect of putting the United States into the world sugar market for approximately 15 percent of its supplies, or 1.5 million tons. The results are now well known. Because of the pressure of U.S. buying on the world sugar market,

the price of world sugar skyrocketed fantastically and U.S. consumers were forced to pay prices for sugar which they had not encountered since the early 1920's.

PRINCIPLES OF HOUSE BILL SUSTAINED

The efficacy with which the 1962 House bill balanced all the factors involved and assigned the new foreign quotas is sustained by three facts: (1) there was not a single protest from any foreign country over the quota which had been assigned to it; (2) every foreign country which had been assigned a quota, with the exception of two or three very small suppliers, was able to meet the quota assigned to it; and (3) out of a total of 3,072,672 tons of sugar purchased under the global quota provisions of the 1962 act, in the years 1962, 1963, and 1964, only 229,951 tons came from countries which were not a part of our statutory allocations proposed by the House in its 1962 bill.

The distribution of foreign quotas presented by the committee herein, therefore, is an extension with some modifications of the 1962 quotas, which have operated so successfully. In this bill no country would receive a percentage of the foreign quota smaller than in the 1962 act.

DEPARTMENT'S FORMULA UNACCEPTABLE

The formula for allocating permanent sugar quotas on the basis of 1963-64 deliveries by foreign suppliers, as proposed by the Department of Agriculture in its bill, is not acceptable for four principal reasons: (1) 1963 and 1964 are the two most unusual and abnormal years in the history of the U.S. sugar program and the theory of basing future permanent quotas on these 2 years, therefore, is unsound; (2) the Departments of Agriculture and State sought but failed to obtain concurrence of the House Committee on Agriculture in sending communications promising countries special consideration in the assignment of quotas in reward for their shipments to the United States during the sugar supply crisis in 1964; (3) the whole theory of the Department of Agriculture's assignment of double weight to shipments in 1964 is invalidated by the fact that the Department of Agriculture, contrary to the specific provisions of law, never allocated approximately 500,000 tons of the Cuban reserve and any supplying country had the right to assume that this 500,000 tons eventually would be allocated; (4) the Department of Agriculture did allocate the 1965 quotas on the basis of its formula giving single weight to shipments in 1963 and double weight to shipments in 1964, and any country which may have lost profits by shipments to the United States in 1964, when the world price was higher than the U.S. price, has more than regained those profits by the quotas assigned to it by the Department in 1965.

H.R. 11135 ADOPTS 1962 ACT PRINCIPLES

The committee has used the distribution of quotas among foreign countries established in the 1962 act as the basis of the quotas for the duration of this bill. It has embraced the same considerations it followed in 1962; namely (1) ability of the supplying country to provide sugar at the time needed for the consumers of the United States;

(2) the development of foreign trade; and (3) the friendly relations of the countries involved.

In general, the committee has tried to keep as much of our foreign sugar quota in the Western Hemisphere as possible. There are two reasons for this. First, sugar shipped from the Western Hemisphere is far more accessible and available to the United States on short notice than is sugar coming from great distances; second, the countries of the Western Hemisphere are virtually all developing countries, they need the assistance of the United States in expanding their economies and their ability to purchase from the United States, and they represent, in the long run, the greatest possible market for U.S. commodities.

SUGAR ACT STANDS TEST OF CRISIS

The world has just passed through the worst sugar crisis, except for local wartime scarcities, in 40 years.

Following the Communist takeover, sugar production in Cuba, which for generations had been the world's largest sugar bowl, declined precipitously. Meanwhile, the 1962 and 1963 European beet sugar crops were well below normal, due principally to poor weather. The impact of these events was dramatic. World inventories of sugar fell from a record level of 16 million tons in September 1961 to only 10 million tons as of September 1964, barely 2 months' consumption.

The world raw sugar price rose from an average of 2½ cents per pound in the first half of 1962 to more than 12 cents in May and again in November of 1963. It has since fallen to less than 2 cents.

High prices in the world market were reflected in U.S. prices. From February 1963 to June 1964 the price of raw sugar, duty paid at New York, averaged 8 cents per pound. This was 1½ cents per pound below the average of the world market, but 1½ cents above the usual price in the United States.

During this period, with restrictions lifted on domestic production, this production expanded rapidly in both sugarbeet and sugarcane areas. Moreover, our Government, in its effort to assure ample supplies at reasonable prices for American consumers during the crisis months, sent communications to foreign suppliers promising special consideration in the assignment of permanent quotas to those countries which shipped sugar into the United States, where the price then was below what these countries could demand on the open world market.

The increase in domestic production and the cooperation of numerous foreign suppliers substantially tempered the impact of the worldwide shortage of sugar upon U.S. sugar prices. This benefited sugar consumers, but mainland beet and cane sugar producers were left with large supplies which cannot be marketed under the quota limitations of the current act.

In this situation, all elements of the domestic sugar industry met and unanimously agreed upon a proposal that they receive an advance on market growth to enable them to work off their sugar inventories in an orderly manner and with only moderate further curtailment of production. Thus, the two mainland areas would receive quota increases beginning this year. Their quotas would then remain constant at all levels of national sugar consumption between 9.7 and 10.4 million tons before again being accorded participation in market growth.

Initially, the increase in the domestic quotas would entail a reduction of imports from the level established by the 1962 amendments to the act. However, all market growth would go to foreign countries until U.S. consumption reaches 10.4 million tons annually, at which time the balance between domestic and foreign quotas under the present law would be virtually reestablished. Supplying countries thus would probably recover their share of the market within the terms of the extension of the act. They also would be assured of a price which usually includes a substantial premium. Foreign countries would have both volume and price protection, along with domestic producers. American consumers would be assured of ample supplies at reasonable prices.

The domestic industry proposal was approved by the administration and is embraced in H.R. 11135.

NATIONAL POLICY

It is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete on the open world market with sugar produced with cheap tropical labor or under subsidy in other countries.

Therefore, for many years, it has been the policy of the U.S. Government—for defense and strategic reasons—to promote within the United States the ability to produce a substantial portion of our sugar requirements. Sugar is a vital food needed by American consumers, the supply of which worldwide has been alternately scarce or in surplus.

Protection first was afforded to our sugar producers solely through the tariff. The tariff did assist the domestic producers, but it still left them exposed to price fluctuations of the world sugar market. Moreover, it increased the price of sugar to consumers without assuring them adequate foreign sources of supply.

A quota system which prorated domestic consumption among producers in the United States and a number of foreign countries was enacted into law in 1934. This quota system was revised in 1937 and again in the Sugar Act of 1948 which H.R. 11135 strengthens and extends.

A tax of 0.53 cent per pound is imposed on all sugar manufactured or imported into the United States. Payments are made to domestic producers of sugarcane or sugarbeets at a rate which ranges from 80 cents per hundredweight of recoverable sugar produced on small farms to as little as 30 cents per hundredweight of production in excess of 30,000 tons on large farms. To qualify for payments under the program, producers must comply with production restrictions, pay fair wages to workers, and not employ child labor and, if they are also processors, pay fair prices for sugarcane or sugarbeets.

There is no price fixing in the program, but the U.S. price is kept within a desirable range by the management of supply in the operation of the law of supply and demand. The supply management is accomplished principally through the limitation and regulation of sugar imports.

Income of the Government from the tax on sugar has been in excess of the amount disbursed as payments to domestic growers during each of the years under the program. Since 1937 the Treasury of the United States has profited by \$550 million from the program.

In 1934 when the first sugar quota system was enacted into law continental U.S. cane and beet producers supplied only 28 percent of the domestic sugar market. These producers, through the protection of the Sugar Act, now enjoy approximately 41 percent of the U.S. market. All domestic areas, including Hawaii, Puerto Rico, and the Virgin Islands, will supply approximately 65 percent of the U.S. sugar needs, under the legislation here presented.

CONSUMERS

The Sugar Act is an insurance policy on adequate supplies at reasonable prices for American consumers. Under the program, the consumption of sugar in the United States has increased from 6,574,000 tons in 1934 to an estimated 10 million tons in 1965. Under the program, the per capita use of sugar in the United States is three times the per capita consumption around the world. Under the program, American consumers enjoy lower prices for sugar than consumers in virtually all nations that do not produce their entire sugar needs. On January 1, 1965, the retail price of a pound of sugar in the United States averaged 11.64 cents, in France 12.6 cents, Italy 16 cents, Japan 14.2 cents, United Kingdom 11.1 cents, West Germany 14 cents, Sweden 15 cents, and Yugoslavia 13.3 cents.

COMMITTEE AMENDMENTS

The committee amendments are all technical and clerical in nature except (1) the amendment striking out Ireland from section 202(d)(3) of the act and (2) the special provision dealing with the weighing of foreign sugar, in section 8.

SECTION-BY-SECTION ANALYSIS OF H.R. 11135

DETERMINATION OF CONSUMER REQUIREMENTS BY THE SECRETARY

Section 2

Requires that the determination of consumer requirements be made by the Secretary during the last 3 months in each year (rather than in December under the present law) for the succeeding year, and that he use as a basis for the determination the quantity of sugar distributed for consumption during the 12-month period ending September 30 (rather than October 31).

The committee has been concerned with the fact that the price stability which the Congress intended under section 201 of the act has not been consistently achieved. It is the committee's view that appropriate adjustments in the annual consumption estimate should be made from time to time so as to achieve price stability at approximately the target price resulting from the application of the price relationship formula outlined in section 201 and that the Secretary's responsibility to make such adjustments applies equally to price levels above and below the target price. In indicating that adjustments in the consumption estimate be made from time to time, the committee is not suggesting that the Secretary seek to pinpoint the New York daily raw sugar price but rather that he seek to achieve and consistently to maintain the approximate target price throughout the quota year.

INTEGRITY OF RAW SUGAR SUPPLIES

Several amendments to sections 202 and 204 have been made to insure the integrity of the supply of raw sugar for refiners. The act establishes a delicate balance among the various supplying areas and countries and this balance must be maintained if the quota system established by the act is to work. Except as specifically provided in the bill, no quota may be altered by withholding its proration. The Secretary is required to determine and allocate deficits so as to assure availability of the sugar for importation during the calendar year. Further, to the extent then known, the Secretary is required to determine and allocate deficits by no later than August 1 of each year.

Since there is nothing in the bill dealing with quarterly quotas, it might appear inappropriate to include in this report any reference to the matter. However, in view of the importance of this point, and since there was a specific provision in the administration bill which incorporated the wishes of both the administration and the domestic industry, it is considered important to clarify the views and actions of the committee on this proposed provision.

The administration bill specifically authorized the Secretary to impose quarterly quotas during the first half of the year, making it clear that such limitations were to be in fact on a quarterly basis and not on a cargo-by-cargo basis as administratively imposed thus far this year.

Because the committee considers the primary tool to be used to achieve the price purposes of the act to be adjustments of the consumption determination under section 201, the authorization of quarterly quotas for the first half of the year was deleted. If, however, the Secretary finds he cannot achieve appropriate price response by adjustments in the consumption determination, the committee considers that the Secretary would be acting within his authority in imposing quarterly quotas during the first half of the year. The intent of Congress would be served so long as the restrictions are truly on a quarterly basis and not on a cargo-by-cargo basis, and so long as such limitations are imposed only in the first half of the year so that each foreign country is permitted reasonable flexibility to ship its full quota, including any adjustments and prorations of deficits, within the calendar year.

DOMESTIC QUOTAS

Section 3(1)

The basic quotas for the domestic beet sugar area and the mainland cane sugar area would be 3,025,000 and 1,100,000 short tons, raw value, respectively instead of 2,650,000 and 895,000 short tons, raw value under the present law. Such quotas for these areas would be increased by 65 percent of the amount consumption requirements are in excess of 10,400,000 short tons, and decreased by 65 percent of the amount consumption requirements are less than 9,700,000 short tons.

FOREIGN QUOTAS

Section 3(2)

Republic of the Philippines.—To the present quota of 1,050,000 short tons, raw value, there would be added 10.86 percent of the amount of the increase in consumption requirements for the United

States between 9,700,000 and 10,400,000 short tons, raw value. The purpose of the change is to permit the Philippines to share in the "growth" of consumption requirements.

FOREIGN COUNTRIES OTHER THAN THE PHILIPPINES

Section 3 (3) and (4)

Specified percentage allocations are established for named countries. Allocation also would be made on a similar basis to such named countries of the Cuban quota; and any other foreign country quota or part thereof suspended by the President would be allocated to Western Hemisphere countries. Any quantity of sugar withheld from Cuba as the result of a consumption estimate in excess of 10 million short tons, raw value, will be prorated to other foreign countries that are members of the Organization of American States. Provision is made for the Secretary to acquire limited quantities of sugar on a first-come first-served basis from foreign countries if the Secretary determines such quantities cannot as a practical matter be obtained by allocation as quotas to quota countries. In obtaining such sugar, special consideration must be given to countries agreeing to purchase for dollars U.S. agricultural products. Provision is made for withholding the Cuban quota during the period of suspension of diplomatic relations, and for withholding the quota or any part thereof for any foreign country when the President determines such withholding to be in the national interest of the United States.

Imports of sugar into a foreign country in excess of exports therefrom.—Prohibits establishing a quota for any foreign country for the year following a 24-month period in which the quantity of sugar imported into such country equaled or exceeded exports to countries other than the United States.

Reduction in quotas for foreign countries.—Reduces subsequent years' quotas for a foreign country that fails to fill its quota and allocated deficits in any year, subject to exceptions where such failure was due to crop disaster or intervention of other similar events. Countries, other than the Philippines, with quotas in excess of 200,000 tons would be expected to carry a reserve of 30 percent of their quota until July 1. All countries would be expected to carry a reserve of 15 percent without time limit.

Reallocation of reductions in quotas.—A quantity equal to the reductions under (3) and (4) above would be prorated in the same manner as deficits.

Restoration of quotas withheld.—Restoration of a quota withheld by the President in the national interest would be as the President determines, provided he restores the entire quota by the third year after he finds that such restoration is no longer contrary to the national interest.

EMERGENCY PROVISION

Section 3(4)

Subsection 202(d)(2) has been added to the act for the purpose of giving the Secretary authority to secure supplies of foreign raw sugar in the event of certain emergency situations which may interfere with the orderly flow of foreign raw sugar to this country. It must be emphasized that this is an emergency provision, and that the need to invoke it should rarely arise. The committee believes that the

full apportionment of foreign quotas on a country-by-country basis, together with the penalty provisions of subsection 202(d)(4), will in all normal circumstances insure that foreign raw sugar will be delivered to this country as needed.

In the event of a restricted supply of sugar available for the world market, however, the committee recognizes the possibility that high world market prices might cause some foreign producers to divert sugar to the world market during the early part of a year, while delaying their shipments to the United States in anticipation of a later rise in U.S. prices or a later decline in world prices. The result could be a temporary shortage in the supply of foreign raw sugar offered to U.S. buyers. In this circumstance, subsection 202(d)(2) would authorize the Secretary to increase his estimate of the sugar required for U.S. consumers, and if he finds that the regular procedures for apportioning this increase among quota countries would not result in delivery of the sugar when needed, to authorize its entry from whatever country or countries are prepared to meet our needs.

The committee does not contemplate that this subsection would be used except in a situation where world prices are so high or threaten to become so high as to interfere with maintenance of the act's domestic price objectives or if very late in the year it is impracticable to obtain needed supplies in the usual manner. This means that before the emergency procedures would be employed, the estimate of sugar requirements under section 201 would have previously been raised to a level at least equal to the anticipated sugar consumption for the year. Full opportunity for entry of foreign sugar under the regular quota system would thus be given before emergency action under this subsection would be in order.

Reduction in domestic area and foreign quotas.—Whenever any quota is reduced to restore a quota withheld from a foreign country by the President in the national interest, or because of a reduction in consumption requirement, any amount of sugar imported or marketed in excess of the reduced quota would be deducted from such quota for the next year.

REALLOCATION OF DEFICITS

Section 4

Deficits determined by the Secretary in domestic area and foreign country quotas would be divided 47.22 percent to the Republic of the Philippines and the remainder to foreign countries. The remainder of such deficits arising in countries outside the Western Hemisphere would be prorated to non-Western Hemisphere countries. The remainder of such deficits arising within the Western Hemisphere would be prorated to other countries within the Western Hemisphere. Deficits arising in the Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama, when Panama becomes a member) are to be offered first to other members of the Central American Common Market, but if unfilled by them, are to be treated as general Western Hemisphere deficits. If any quota is restored to Cuba provision is made to reduce the share of deficits for the Philippines. Known deficits are to be allocated by August 1 of each year.

This section of the bill also contains authority to the President when he determines that such action would be in the national interest, to assign deficits, other than those allotted by the bill to the Philippines, to any foreign country named in section 202(c).

The committee gave serious consideration to increasing the Dominican Republic quota in view of its position as a historic, nearby sugar supplier, the importance of the sugar industry to the well-being of its economy, and the absence of a large home market or stable overseas export market to absorb its large sugar production. However, in light of the changing and unsettled political conditions in the Dominican Republic during the time the committee deliberated this bill, the committee deemed it advisable not to increase the Dominican quota in the legislation but rather to request the President to increase the Dominican quota by allocating to the Dominican Republic a substantial portion of the deficit of Puerto Rico, or any other domestic area or foreign country, after allocation of the Philippine share. The committee understands that the President proposes to make such allocation, subject to political conditions in the Dominican Republic at the time. The committee also requests the President to allocate 3,000 tons of such deficit to Bolivia if the political situation there permits such action.

REDUCTION IN ALLOTMENT OF A QUOTA WHEN QUOTA REDUCED

Section 5

If allotments of a domestic quota are in effect at the time of a reduction in the quota, amounts marketed in excess of the reduced allotment would be disregarded in determining that person's allotment for the next year, and the allotment for such person for the next year would be reduced by the amount of such excess marketings.

National reserves.—This section—together with complementary provisions in section 10—also establishes a national reserve of 25,000 tons each from the beet and mainland cane quotas to be used by the Secretary for the alleviation of hardships and inequities. Several cases were brought to the attention of the committee during the hearings, such as: Buckeye Sugars, Inc., of Ohio; National Sugar Manufacturing Co., of Colorado; and the Cedar Grove Sugar Factory and Louisiana Citrus Lands, Inc., of Louisiana. It is situations such as these which this special reserve provision is designed to help.

The section—together with complementary provisions in section 10—also authorizes the Secretary to reserve, after 1966 and after the consumption estimate exceeds 10.4 million tons, not more than 25,000 tons of quota and accompanying acreage for one new cane sugar mill.

SUGAR-CONTAINING PRODUCTS

Section 6

Prescribes a limit upon the authority of the Secretary to reduce the quantity of a sugar-containing product which may be imported during any calendar year, and requires a determination that importation of the sugar-containing product would substantially interfere with the attainment of the objectives of the act before limitation may be imposed on the quantity imported.

Confectionery imports.—Section 206 of the Sugar Act provides for the imposition of import limitations on sugar-containing products under certain conditions. The language of the current law, the committee feels, is ambiguous and would be difficult to apply. Therefore this bill contains a revision of this section.

A number of sugar-containing products, because of their nature, are not conducive to importing. However, a problem exists in

reference to confectionery and chocolate. Imports are and have been increasing steadily for some years. In 1964 over 106 million pounds were imported.

Recent world raw spot price sugar quotations have been approximately 1.75 cents per pound. Contrasted to this is a domestic spot raw price of approximately 6.75 cents per pound. When foreign manufacturers of confectionery manufacture products for shipment to the United States they are able to acquire world price sugar for this purpose. With any such price spread, a most serious competitive situation is presented to the domestic confectionery industry and the committee suggests that immediate consideration be given to the establishment of limitations on imports of confectionery and chocolate.

LIMITATIONS UPON IMPORTATION OF DIRECT-CONSUMPTION SUGAR

Section 7

Restates the present limitation upon direct-consumption sugar from the Philippines in short tons, raw value. Provides that none of the quota for any country other than the Philippines may be filled by direct-consumption sugar with the exception of Ireland and Panama, in the respective amounts of 10,000 short tons and 3,817 short tons.

IMPORTATION INTO THE VIRGIN ISLANDS

Section 8

Permits a person to import in any year up to 100 pounds of sugar into the Virgin Islands from any foreign country.

IMPORT FEES

Section 9

Repeals section 213, relating to import fees, which has now become obsolete.

Section 10(1)

Provides for annual hearing to consider the need for farm proportionate shares.

Beet and mainland cane inventories.—The committee believes that the two continental sugar-producing areas should carry significantly higher inventories than they have carried in the past. The committee is strongly of the view that such higher inventories are needed in order to service adequately the higher quotas established for such areas and in order to provide a greater reservoir of sugar supplies which may be needed on short notice to help fulfill consumer needs. The committee recognizes the difficulties inherent in pinpointing the specific percentages of quotas for these areas which should be held as "effective" inventories on January 1 of a quota year under varying crop and market conditions. An effective inventory amounting to about 75 percent of the beet area quota historically has been held by the beet industry on January 1. The committee believes that this is too low a percentage and that normally the appropriate amount should be within the range of 82 to 90 percent for the beet sugar industry as a whole. When Louisiana produced the major portion of the mainland cane area's quota, the practice was to carry over a rather small effective inventory. Now that production in Florida represents a substantial part of the mainland cane area's quota, the committee believes that a larger effective inventory is necessary. As

in the case of the beet area, it is difficult to specify the exact percentage of inventory which should be held in any given quota year under varying crop and market conditions, but it is the committee's view that an effective inventory of 60 to 70 percent on January 1 is proper under most conditions for the mainland cane area.

Section 10(2)

Limits the sugarbeet acreage reserve for industry expansion to the years 1962 through 1966.

In view of the probable further curtailment of production of sugarbeets by established growers, the bill does not extend the reserve acreage provisions of the act, except to protect the interests of holders of allocations already made, which exhaust the authority under the present act. In this connection, it has come to the committee's attention that in some of the localities where acreage reserve has been committed, a more efficient operation of sugarbeet processing facilities would result if in some instances the product from reserve acreage were to be processed at old factories and an equivalent quantity of sugarbeets from nonreserve acreage processed at the new or expanded facility. It is the view of this committee that flexibility to enable efficient operation of new or expanded sugarbeet processing facilities such as the interchange of processings of produce from reserve and from nonreserve acreage is consistent with the purposes of the statutory provisions for sugarbeet acreage reserve.

This bill does not continue the reserve from market growth for new beet processing plants because there is a present surplus of beet production and, under the bill, the beet sugar area will not share in marketing growth until the consumption estimate for the United States exceeds 10.4 million tons. Rather than trying to make at this time any provision for expansion of the industry after that consumption level has been reached, the committee believes that this matter should be considered independently and on its merits when U.S. consumption reaches the level where the beet area will once again share in the market growth and a provision for additional facilities would be meaningful.

Application of this bill to new facilities.—In 1962, the Sugar Act was amended to provide for the establishment of new beet sugar processing facilities and for the sugarbeet acreage which would permit such facilities to operate efficiently. The relevant amendments are in sections 205(a) and 302(b)(3) of the act.

At the time these amendments were made, it was the assumption of the Congress that the Sugar Act would continue in future years as it had in the past, with a certain proportion of the annual growth in consumption in the United States being assigned to domestic producing areas and the balance to foreign suppliers. Under this assumption, the new beet sugar companies authorized by the 1962 act would have shared in such annual growth, along with all other companies in the beet sugar industry.

The effect of this bill is to give the domestic beet and mainland cane areas, beginning as of January 1, 1965, the quotas which they would be expected to attain in the next 4 or 5 years (until the consumption level of 10.4 million tons has been reached) under the provisions of the 1962 act.

Since the new beet sugar facilities would have participated in this increase in quota, had it taken place over a period of years as

contemplated by the Congress, it is clear that these facilities should now be permitted to participate in such quota increase, just as though it had taken 4 or 5 years to attain.

Section 205(a) provides that:

Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary * * * allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota * * *.

In administering the new provision of the Sugar Act contained in this bill, therefore, new sugarbeet processing companies should be permitted to share in the increase in beet sugar quota authorized therein to the extent that they can do so, and such augmented marketing allotments should be reflected in the assignment of proportionate shares to the farms producing beets for such facilities.

Section 10(3)

Provides acreage for the new sugarcane plant authorized in section 5.

Section 10(4)

Permits protection of small producers, new producers, cash tenants, share tenants, adherent planters, and sharecroppers in years when proportionate shares are not in effect.

Section 10(5)

Preserves sugarbeet production history where proportionate share acreage is released.

Also provides sugarbeet and sugarcane acreage to implement the national reserves established in section 5.

Section 11(1)

Authorizes use of the facilities of the Commodity Credit Corporation to disperse payments, pursuant to annual appropriations, to domestic producers of sugarbeets and sugarcane.

Section 11 (2) and (3)

During any period when the provisions of title II are suspended by the President, the Secretary is required to estimate and publish consumption requirements and foreign country quotas on the basis provided in the act, and if a country fails to import into the United States the amount of such estimated quota, the quota established for such country in subsequent years would be reduced, and such reduction would be reallocated as a deficit.

Section 11(4)

Reenacts and amends section 408(c) of the act relating to the authority of the President to suspend the quota for any foreign country that expropriates property of a U.S. citizen.

Section 11(5)

Extends the act through 1971.

Section 12

Extends related provisions of the Internal Revenue Code of 1954 to June 30, 1972.

Section 13

Provides that all provisions of the bill except section 4 (relating to deficits) will become effective as of January 1, 1965. Section 4 becomes effective January 1, 1966.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

SUGAR ACT OF 1948, AS AMENDED

* * * * *

TITLE II—QUOTA PROVISIONS

ANNUAL ESTIMATE OF CONSUMPTION IN CONTINENTAL UNITED STATES

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the [month of December in] *last three months* of each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar years as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending [October 31] *September 30* next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable

domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers. The term "parity index" as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture.

PRORATION OF QUOTAS

SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

[(a)(1) For domestic sugar-producing areas, by appropriating among such areas five million eight hundred and ten thousand short tons, raw value as follows:

Area	Short tons, raw value
Domestic beet sugar.....	2, 650, 000
Mainland cane sugar.....	895, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	5, 810, 000

[(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.]

(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar.....	3, 025, 000
Mainland cane sugar.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	6, 390, 000

(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of

consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas.

(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.*

[(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, of sugar.]

(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value.

[(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

[(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

[(3)(A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons, raw value,

for 1963 and 1964, shall be prorated among such countries on the following basis:

<i>Country</i>	<i>Per centum</i>
Cuba.....	57.77
Peru.....	6.71
Dominican Republic.....	6.71
Mexico.....	6.71
Brazil.....	6.37
British West Indies.....	3.19
Australia.....	1.41
Republic of China.....	1.24
French West Indies.....	1.06
Colombia.....	1.06
Nicaragua.....	.88
Costa Rica.....	.88
Ecuador.....	.88
India.....	.71
Haiti.....	.71
Guatemala.....	.71
South Africa.....	.71
Panama.....	.53
El Salvador.....	.36
Paraguay.....	.35
British Honduras.....	.35
Fiji Islands.....	.35
Netherlands.....	.35

[(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

[(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

[(4)(A) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not

be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

[(B) Of the quantity authorized for purchase and importation under subparagraph (A), the President is authorized to allocate to countries within the Western Hemisphere, for the six-month period ending December 31, 1962, an amount of sugar, raw value, not exceeding in the aggregate seventy-five thousand short tons, and for the calendar years 1963 and 1964, an amount of sugar, raw value, not exceeding in the aggregate one hundred and fifty thousand short tons.

[(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

[(6) Sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

[(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

[(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the

United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred. The provisions of this subsection shall not apply to sugar exported by any foreign country to the United States to fill any allocation made to it under subsection (c)(3)(C).

[(f) The quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.]

(c)(1) *For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.*

(2) *For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965, (30 F.R. 2206).*

(3) *For the calendar years 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines, Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland and the Bahama Islands, among foreign countries on the following basis:*

(A) *For countries in the Western Hemisphere:*

Country	Per centum
Cuba.....	44. 25
Mexico.....	8. 41
Dominican Republic.....	8. 41
Brazil.....	8. 41
Peru.....	6. 71
British West Indies.....	3. 71
Ecuador.....	1. 24
French West Indies.....	1. 06
Colombia.....	1. 06
Costa Rica.....	1. 04
Nicaragua.....	. 95
Guatemala.....	. 81
Venezuela.....	. 76
El Salvador.....	. 75
Haiti.....	. 71
Panama.....	. 62
Argentina.....	. 53
British Honduras.....	. 49
Bolivia.....	. 10
Honduras.....	. 10

(B) For countries outside the Western Hemisphere:

<i>Country</i>	<i>Per centum</i>
<i>Australia</i>	<i>4. 00</i>
<i>Republic of China</i>	<i>1. 66</i>
<i>India</i>	<i>1. 60</i>
<i>South Africa</i>	<i>. 73</i>
<i>Fiji</i>	<i>. 60</i>
<i>Thailand</i>	<i>. 49</i>
<i>Mauritius</i>	<i>. 35</i>
<i>Swaziland</i>	<i>. 15</i>
<i>Southern Rhodesia</i>	<i>. 15</i>
<i>Malagasy Republic</i>	<i>. 15</i>

(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of ten thousand short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: Provided, That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled with sugar produced in such country.

(d) Notwithstanding any other provision of this Act—

(1)(A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

(i) any quantity of quota withheld from Cuba at a determination up to and including the amount of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

(ii) any quantity of quota withheld from Cuba at a determination in excess of the amount of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph (3)(A) of subsection (c) that are members of the Organization of American States on the basis of the percentages stated therein.

(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(3)(A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

(2) (A) Whenever the Secretary finds that it is not practicable to obtain quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of con-

sumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B): Provided, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increases in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

(3) No quota shall be established for any country for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced as follows:

(A) the quota established under section 202(b), and the quotas established under sections 202(c) and 202(d)(1) for any country having a quota at the end of the preceding year of less than two hundred thousand short tons, raw value, shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of such quota for the preceding calendar year: Provided, That in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar; and

(B) the quota established under section 202(c) and section 202(d)(1) for any such country having a quota at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be reduced by the smaller of (i) the

amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 130 per centum of such quota for the preceding calendar year: Provided, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) the reduction in quota for any country having a quota established under section 202(c) and section 202(d)(1) at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be limited, if the quota for any such country on July 1 of the year in which such quota was not filled is less than 130 per centum of its quota for the preceding calendar year, to the larger of (1) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 125 per centum of the quotas for the preceding year or (2) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than such quota on July 1.

(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions; of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d)(1)(B) of this section, and, in the case of Cuba under subsection (d)(1)(A) of this section, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: Provided, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

(g) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d)(2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.

PRORATION OF QUOTAS DEFICITS

SEC. 204. [(a) The Secretary shall from time to time determine whether, in view of the current inventory of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines by prorating to it an amount of sugar which bears the same ratio to the deficit as the quota for the Republic of the Philippines determined under section 202(b) then in effect bears to the sum of such quota for the Republic of the Philippines and of the prorations to foreign countries named in section 202(c)(3)(A) then in effect; and shall allocate an amount of sugar equal to the remainder of the deficit to foreign countries within the Western Hemisphere named in section 202(c)(3)(A): *Provided*, That no part of any such deficit shall be prorated or allocated to any country not in diplomatic relations with the United States. If the Secretary determines that the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to foreign countries within the Western Hemisphere named in section 202(c)(3)(A): *Provided*, That no such allocation shall be made to any foreign country not in diplomatic relations with the United States. In making allocations for foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. If the Secretary determines that neither the Republic of the Philippines nor the countries within the Western Hemisphere named in section 202(c)(3)(A) can fill all of any such deficit whenever provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit. (7 U.S.C. 1114(a).)]

[(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section.]

(a) *The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c)(3)(A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries: Provided, That any deficit resulting*

from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: And provided further, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under the foregoing provisions of this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c)(3)(B) or section 202(c)(4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(B) on the basis of the quotas then in effect for such countries: Provided, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined for any country listed in section 202(c)(3)(B), he shall allocate such unfilled amount to the countries so listed on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(B) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d)(1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: Provided, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota

and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure.

ALLOTMENTS OF QUOTAS OR PRORATIONS

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prevent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, Hawaii, or Puerto Rico, or may import or bring into continental United States, for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugar beets or sugarcane, limited in any year when proportionate shares were in effect to processings to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation. In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person. *The Secretary is also authorized in making such allotments of a quota for the mainland cane sugar area for any calendar year after 1966 to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation during each of the first two years of operation of a new*

sugarcane processing facility or mill that begins the production of sugar from sugarcane for the first time after the calendar year 1966. The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of a processor of sugarcane, other than a processor-refiner, who had a physical inventory of sugar on January 1, 1964, equal to 55 per centum or more of his 1963 crop production may be increased by an additional six thousand two hundred short tons of sugar, raw value: *Provided*, further, That the total increases in marketing allotments made to processors in the domestic beet sugar and mainland cane sugar areas pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each such area for each calendar year. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made. If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount.

SUGAR-CONTAINING PRODUCTS

SEC. 206. [The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United

States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.】

(a) *If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: Provided, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.*

(b) *In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.*

(c) *In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which*

it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act.

DIRECT CONSUMPTION SUGAR QUOTAS

Sec. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

[(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

[(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar. The provisions of this paragraph shall not apply to any allocation made to a foreign country under section 202(c)(3)(C)]

(d) *Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.*

(e) *None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: Provided, That the quotas for Ireland and Panama may be filled by direct-consumption sugar to the extent of ten thousand short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama.*

(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

* * * * *

PROHIBITED ACTS

SEC. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from Hawaii, Puerto Rico, the Virgin Islands, or foreign countries, (1) any sugar or liquid sugar after the applicable quota, or the proration of any such quota, has been filled, or (2) any direct-consumption sugar after the direct-consumption portion of any such quota or proration has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugar beets or sugarcane grown in either the domestic-beet-sugar area or the mainland cane-sugar area after the quota for such area has been filled;

(c) From marketing in either Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotment of any quota, direct-consumption portion of any quota, or proration or allocation of any quota, made to them pursuant to the provisions of this Act;

(e) From bringing or importing into the Virgin Islands for consumption therein, [any sugar or liquid sugar] any sugar or liquid sugar in excess of one hundred pounds in any calendar year produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.

* * * * *

[IMPORT FEE

[SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4)(A) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

[(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4)(A) of sec-

tion 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objectives set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4)(A) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4)(A) and (5) of section 202(c).】

* * * * *

ESTABLISHMENT OF PROPORTIONATE SHARES FOR FARMS

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary, of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b)(1) 【Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.】
The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of pro-

portionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane.

(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the "national sugarbeet acreage requirement") on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

[In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar.]

(3)(A) *In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized: Provided, however, That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or*

localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserved on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

(B) *In order to make available acreage for the growth and expansion of the mainland cane industry by a new sugarcane processing facility, the Secretary is authorized to reserve each crop year for three consecutive crop years an amount of acreage estimated to yield twenty-five thousand short tons of sugar, raw value, from the acreage which would be allocated to sugarcane producers in the mainland cane sugar area for each of three consecutive crop years beginning not earlier than the year immediately following the first calendar year after 1965 for which the Secretary's determination of requirements of consumers pursuant to section 201 exceeds ten million four hundred thousand short tons, raw value: Provided, That the quantity allocated to the mainland cane sugar area for such calendar year pursuant to section 202(a)(2)(A) is not less than twenty-five thousand short tons of sugar, raw value. The acreage so reserved for each of the three consecutive crop years shall be*

distributed for each such crop year on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocation for establishing farm proportionate shares determined by him, on the condition that the sugarcane produced on such farms shall be delivered for each of such three consecutive crop years to the new processing facility in the locality to which reserve acreage is committed as hereafter provided. The Secretary shall commit the reserve acreage estimated by him to yield twenty-five thousand short tons of sugar, raw value, for each of the three consecutive crop years to the locality determined by him to receive the reserve, and such commitment of reserve shall be irrevocable upon issuance of the determination of such commitment by publication in the Federal Register; except that if the Secretary finds in any case that construction of the sugarcane processing facility has not proceeded in substantial accordance with the representations made to him as a basis for his determination of commitment of the reserve acreage, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In any State in the continental United States where there was no mill for commercially processing sugarcane into sugar in 1965, commitment of reserve acreage shall be made to the locality where sugarcane will be delivered from farms for the commercial recovery of sugar by a sugarcane processing facility or mill which begins operation for the first time. In determining commitment of the reserve acreage and if proposals are made to construct sugarcane processing facilities in two or more localities where sugarcane production is scheduled to commence in the same year or succeeding years, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarcane, the lack of proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. The commitment of reserve acreage shall be determined by the Secretary after investigation, the publication of notice and such informal public hearings, if any, as the Secretary deems appropriate under the prevailing circumstances.

(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

(5) **[In determining farm proportionate shares.]** *Whether farm proportionate shares are or are not determined, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.*

(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm

proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

(8) *In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.*

(9) *The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than twenty-five thousand short tons of sugar, raw value, for each such crop to relieve hardship on the part of producers who planted sugarcane for the first time for harvest in the crop years 1964 and 1965 and in allocating such acreage the Secretary shall give consideration to the amount by which the acreage of sugarcane in 1965 exceeds the proportionate share for the 1965 crop: with first consideration in allocating such acreage to farms on which the 1965 crop proportionate share has been overplanted by more than 200 per centum in an amount sufficient to bring the proportionate shares of such farms up to the acreage growing: Provided, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965*

crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph.

* * * * *

APPROPRIATIONS AND AVAILABILITY OF FUNDS

SEC. 402. (a) There is hereby authorized to be appropriated for each fiscal year for the purposes and administration of this Act the funds necessary to make the payments provided for in title III of this Act and such other amounts as the Congress determines to be necessary for such fiscal year to carry out the other provisions of the Act. (7 U.S.C. 1152(a).)

(b) All funds available for carrying out this Act shall be available for allotment to the bureaus and offices of the Department of Agriculture and for transfer to such other agencies of the Federal Government as the Secretary may request to cooperate or assist in carrying out the provisions of this Act. *The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: Provided, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such programs.*

* * * * *

SUSPENSION OF QUOTAS

SEC. 408. (a) Whenever pursuant to the provisions of this Act the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall be proclamation suspend the operation, except as provided in section 207 of this Act, of all the provisions of title II above, and, thereafter, the operation of such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section.

During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: Provided, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year.

(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. [Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.] *Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act.*

[(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.]

(c) *In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United*

States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act.

* * * * *

TERMINATION OF ACT

SEC. 412. The powers vested in the Secretary under this Act shall terminate on December 31, [1966,] 1971 except that the Secretary shall have power to make payments under title III under programs applicable to the crop year [1966] 1971 and previous crop years.

INTERNAL REVENUE CODE OF 1954

CHAPTER 37

Subchapter A—Sugar

SEC. 4501. IMPOSITION OF TAX.

(a) GENERAL.—There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the rate of 0.53 cent per pound of the total sugars therein. The manufacturer shall pay the tax with respect to manufactured sugar (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and (2) which has not been so sold or used within 12 months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid). For the purpose of determining whether sugar has been sold or used within 12 months after it was manufactured, sugar shall be considered to have been sold or used in the order in which it was manufactured. (26 U.S.C. 4501(a).)

(b) TERMINATION OF TAX.—No tax shall be imposed under this subchapter on the manufacture or use of sugar or articles composed in chief value of sugar after June 30, [1967] 1972. Notwithstanding the provisions of subsection (a), no tax shall be imposed under this subchapter with respect to unsold sugar held by manufacturer on June 30, [1967] 1972, or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date.

Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966.

SEPARATE VIEWS

We strongly disagree with the action taken by the committee to establish a 10,000-ton sugar quota for the Bahama Islands, a territory which does not presently produce sugar.

Sugar at the present time is in overproduction in all parts of the world. Sugar has always been readily available to the United States at the American price, except for the 2 years following our decision not to purchase from Cuba. While the American price is 6.75 cents per pound, high production has brought the world price down to 1.75 cents per pound. There would seem to be no useful purpose in deliberately encouraging more production.

As many of our allies and trading partners are heavily dependent upon their share of the U.S. market, it seems the height of foolishness to encourage yet another producer. By establishing a quota for the Bahamas, we are depriving these other countries of their proportionate share of the American market.

Once the quota is established for the Bahama Islands, as modest as it is, the door is open for them to ask for an increase in future years, with the claim that we encouraged them to go into sugar production. There is already intense competition for the American market. There is no point in adding to it.

The sugar quota was not requested by a representative of the Bahamian government, but rather by a vice president of the Owens Illinois Corp. Owens Illinois has been conducting logging operations on Great Abaco Island and shortly will complete this operation. They determined that this land would be excellent for the production of sugar. The entire quota would be turned over to Owens Illinois. In other words, we are granting a quota not to a country but to a single private corporation—an action that must be seriously questioned. And the beneficiaries of our largesse will not be any Bahamian nationals or independent farmers, but rather the giant packaging company—Owens Illinois. We would be giving a quota to a sugar-producing enterprise that has not yet even planted its first acre.

In the past we have had many difficulties with countries in the Caribbean and Central America due to the activities of American companies who have dominated the economy of these countries by their ownership of most of the agricultural production—and this has been especially true of bananas. These companies have since seen fit to lease their land to individual independent farmers. For us at this time to encourage an American company to get involved in the same practice that led to problems in the past is a serious mistake.

One of the keystones of our policy in Central and South America is to encourage land reform. By granting this quota to Owens Illinois we are taking a step in exactly the opposite direction.

The above factors make it abundantly clear that the establishment of this quota would serve neither the interests of the U.S. Govern-

ment, the sugar industry, nor the people of the Bahamas. It would simply benefit an individual company while adding to the glut of sugar which now already floods the market. We therefore oppose this section of the bill.

Respectfully submitted.

Mr. BERT BANDSTRA,
Mr. ALEC OLSON,
Mr. JOSEPH Y. RESNICK,
Mr. LYNN E. STALBAUM,
Members of Congress.

MINORITY VIEWS OF HON. CATHERINE MAY AND HON. BOB DOLE

Sugar legislation at best is highly complex. We are certain those reading the report without previous knowledge about the Sugar Act will be, to say the least, somewhat confused. Congressman Findley has discussed some excellent points in his views. We wish to discuss three amendments which should have, in our opinion, been included in this legislation and also comment on some of the shortcomings of the bill reported by the committee.

These three amendments dealt with efforts to increase the export of U.S. agricultural commodities and to use the Sugar Act as a more effective instrument in our struggle with world communism.

WHY NOT ALLOCATE DEFICITS TO FRIENDLY COUNTRIES WHO PURCHASE SURPLUS AGRICULTURAL COMMODITIES?

We hear much talk these days about increased East-West trade and the necessity of improving our balance of payments, increasing the income of farmers, reducing surpluses, providing employment, and other assorted arguments used by the administration. It is difficult to determine whether this administration is really concerned about increased trade with friendly nations who scramble for U.S. sugar quotas. Deficits will occur, and it is our feeling that allocation of deficits should go to those countries who, in exchange for the allocation, would agree to purchase U.S. agricultural commodities. It seems, however, that the administration—particularly the State Department—strongly objects to the proposition of bilateral trade.

The present Sugar Act provides that in allocating the Cuban reserve and in allocating sugar deficits, special consideration shall be given to Western Hemisphere countries purchasing U.S. agricultural commodities.

Section 202(c)(4)(A) of the present act carries this language in regard to the Cuban reserve and section 204(a) of the present act carries similar language in regard to the allocation of deficits.

Without reciting the entire record, we feel certain the overwhelming view of the committee is that the administration has virtually ignored these two provisions in the present sugar law. Several well-documented cases of the administration's refusal to follow the spirit of these provisions have been thoroughly discussed in the committee.

The administration's sugar bill, H.R. 10496, proposed to drop entirely these two provisions in the present Sugar Act. The committee has, however, partially restored this language in the section of the bill dealing with the remnants of the Cuban reserve. This

section, known as the little global quota section, contains the following language adopted by the committee:

In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products.

The bill does not contain any language of this nature in regard to the allocation of deficits.

During the committee's consideration of this bill, we attempted to put effective language into the provision of the bill dealing with both the little global quota and the allocation of deficits. This attempt failed by a vote of 16 to 14.

The language of the Dole amendment, which would amend the bill in regard to both the "little global quota" and the allocation of deficits is as follows:

At the appropriate place in the bill insert:

In making allocations to foreign countries under the provisions of this paragraph preference shall be given to those friendly countries agreeing to purchase for dollars additional United States agricultural commodities.

At the appropriate place in the bill insert:

In making allocations to foreign countries under the provisions of this section (except as to deficits allocated among countries of the Central American Common Market) preference shall be given to those friendly countries agreeing to purchase for dollars additional United States agricultural commodities.

This amendment would have clearly established a preference, in the distribution of foreign and domestic deficits, for those friendly countries agreeing to purchase for dollars additional U.S. agricultural commodities. While the exact benefit is somewhat speculative—depending upon the deficits—a conservative estimate could mean disposal of around \$40-million worth of U.S. surplus farm commodities per year. Assuming total normal deficits to be around 300,000 tons or 600 million pounds at 6½ cents per pound U.S. value, the potential additional dollar market of U.S. surpluses during the 5-year span of this bill could possibly be increased by \$200 million.

This amendment was not a new idea, but was nonetheless rejected largely because the members of the committee felt its adoption might displease the State Department.

Our first obligation must be to assure ourselves that this legislation is not only fair and equitable to all parties involved, but whenever possible, our country should receive every legitimate benefit. Certainly sales of surplus agricultural commodities to free world countries, in exchange for additional sugar quotas, would seem to be more in the national interest than beating the drums for increased trade with Communist Russia at the very time Russia is actively engaged in opposing our efforts in Vietnam and other places around the world.

OPTIONAL IMPORT FEE

Another amendment discussed but not offered because of the committee's rejection of import fees, is as follows:

Provided, That beginning with calendar year 1967, the authority for the imposition of import fees as set forth in this section shall not be operative with respect to any single country if the Secretary finds that such country holding a sugar quota under this Act has, during the previous year, expended the dollars earned as a result of sugar sales in the United States for goods or services produced in the United States.

This amendment is self-explanatory and represents another effort to encourage those countries receiving sugar quotas to buy our surplus commodities. When this amendment was initially discussed, it was the feeling of some committee members that the United States enjoyed a favorable balance of trade with all countries receiving U.S. sugar quotas. At Mr. Dole's request, Vladimir N. Pregelj, analyst in the International Trade and Finance, Library of Congress, prepared a table which indicates that we do not enjoy a favorable balance of trade with many of the countries seeking and receiving increased sugar quotas such as Brazil, Venezuela, and the Philippines. Here again it would seem reasonable to impose an import fee unless the country holding a sugar quota under this act had during the previous year expended the dollars earned as a result of sugar sales in the United States for goods or services produced in the United States. This amendment concerns not only purchases of agricultural commodities, but other goods and services and again, in my opinion, is a reasonable approach to a very serious problem.

Selected data pertaining to the net balance of merchandise trade on non-U.S.-financed commercial transactions with countries allocated sugar imports quotas, 1964¹

[Values in millions of dollars]

Country ²	United States		Nominal balance of trade, col. (2) - (1)	U.S.-financed exports			Balance on, cols. (1) through (6)	Memorandum column: ⁴ Dollar assistance under Foreign Assistance Acts	
	Imports	Exports ³		Eximbank	Public Law 480	Private welfare		Grants	Credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Argentina.....	110.2	260.8	150.6 (+ U.S.)	1.4		0.1	149.0	3	14.9
Australia.....	273.9	625.6	351.7 (+ U.S.)			.1	351.7		
Bahamas.....	20.5	95.3	74.8 (+ U.S.)			(5)	74.8		
Belgium-Luxembourg.....	422.2	600.1	177.9 (+ U.S.)				177.8		
Brazil.....	534.9	386.2	-148.7 (- U.S.)	1.0	111.1	17.9	-278.7	37	71.0
Barbados.....	3.5	8.4	4.9 (+ U.S.)			(5)	4.9		
British Honduras.....	10.1	7.9	-2.2 (- U.S.)				-2.5	1	
Colombia.....	278.7	244.7	-34.0 (- U.S.)	.5	.5	3	-42.8	18	43.6
Bolivia.....	28.7	45.0	16.3 (+ U.S.)	.1	6.5	7.8	7.6	17	9.2
Costa Rica.....	54.0	60.0	6.0 (+ U.S.)	.8	.1	2.1	4.5	7	3.4
Dominican Republic.....	124.4	113.1	-11.3 (- U.S.)	.5	4.7	6	-21.3	12	6.1
Ecuador.....	87.0	83.1	-3.9 (- U.S.)		1.6	4.5	-10.1	12	7.5
El Salvador.....	43.2	65.5	22.3 (+ U.S.)	1.1	.1	2.7	18.4	6	6.4
France.....	493.8	790.7	296.9 (+ U.S.)			.1	296.7		
French West Indies.....	8.4	11.0	2.6 (+ U.S.)			1	2.5		
Guatemala.....	62.7	82.8	20.1 (+ U.S.)	1.6		2.0	16.5	6	3.8
Haiti.....	24.1	23.5	-.6 (- U.S.)			1.9	-2.5	3	.1
Honduras.....	41.0	48.9	7.9 (+ U.S.)			1.7	7.2	3	2.3
India.....	309.7	947.8	638.1 (+ U.S.)	47.1	456.5	22.6	112.0	47	336.7
Ireland.....	36.8	54.9	18.1 (+ U.S.)			(5)	18.1		
Malagasy Republic.....	18.2	3.9	-14.3 (- U.S.)			.7	-15.0	1	
Mauritius.....	1.7	1.9	.2 (+ U.S.)			(5)	.2		

See footnotes at end of table, p. 48.

Selected data pertaining to the net balance of merchandise trade on non-U.S.-financed commercial transactions with countries allocated sugar imports quotas, 1964—Continued

[Values in millions of dollars]

Country ²	United States		Nominal balance of trade, col. (2) - (1)	U.S.-financed exports			Balance on, col. (1) through (6)	Memorandum column: ⁴ Dollar assistance under Foreign Assistance Acts	
	Imports	Exports ³		Eximbank	Public Law 480	Private welfare		(grants)	Credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mexico.....	607.3	1,026.3	419.0 (+ U.S.)	28.0	0.9	10.6	379.5	10	11.1
Nicaragua.....	33.6	56.8	23.2 (+ U.S.)	(⁵)		1.3	21.9	5	5.0
Panama.....	40.1	109.6	69.4 (+ U.S.)	.8		5.5	68.1	5	5.1
Paraguay.....	11.0	14.8	3.8 (+ U.S.)	(⁵)		2.7	.4	3	3.5
Peru.....	196.6	220.0	23.4 (+ U.S.)	8.4		2.9	3.0	13	14.2
Philippines.....	396.5	356.5	-40.0 (- U.S.)	9.6		8.9	-66.4	40	1.8
South Africa.....	243.5	392.4	148.9 (+ U.S.)			1.1	148.7		
Taiwan.....	76.6	146.4	68.8 (+ U.S.)			6.9	31.2	10	16.3
Turkey.....	60.5	160.7	100.2 (+ U.S.)	7.8		5.6	51.0	24	86.2
Venezuela.....	957.5	596.9	-360.6 (- U.S.)	4.6		5.6	-370.7	8	21.3

¹ Detail may not add to total due to rounding.

² Separate data for British West Indies, Fiji Islands, Southern Rhodesia, and Swaziland are not available.

³ Export data exclude all special category 1 and 2 commodities furnished under the military foreign assistance.

⁴ Data in cols. (8) and (9) indicate dollar economic assistance under the Foreign Assistance Act; to the extent that these data represent aid commodities exported from the United States to the recipient country rather than services or offshore procurements, they are included in the figures for exports. Hence, the balances in col. (7) would have to

be further reduced by the amount of such exports. This amount could not be determined within the allotted time.

⁵ Less than \$50,000.

Sources: U.S. Bureau of the Census, U.S. imports of merchandise for consumption, 1964, U.S. exports, 1964; Export-Import Bank, statement of loans and authorized credits, December 1963, December 1964; U.S. President, food for peace, 1964 annual report; U.S. Office of Business Economics, foreign grants and credits by the U.S. Government, calendar years 1963 and 1964; Vladimir N. Pregel, analyst in international trade and finance, Library of Congress.

SHOULD QUOTAS BE GRANTED COUNTRIES WHO SHIP TO OR TRADE WITH NORTH VIETNAM, CUBA, RED CHINA, OR NORTH KOREA?

Another important aspect of this legislation is that quotas are granted to countries which, in the past and perhaps at present, either trade with North Vietnam or have ships under their registry which are carrying militarily significant goods and supplies to North Vietnam or other hostile nations. In our opinion, this Congress should not grant a 1-pound sugar quota to any country which either sells, furnishes, or ships any war materials or strategic goods or materials to North Vietnam, Cuba, Red China, or North Korea, and in an effort to prevent this Mr. Dole offered the following amendment:

At the appropriate place in the bill insert:

SEC. 213. Notwithstanding any other provision of this Act, if the President determines that any country receiving a sugar quota under this Act is selling, furnishing, or shipping any arms, ammunition, implements of war, atomic energy materials or any other articles, materials, or supplies of primary strategic significance used in the production of arms, ammunition, and implements of war or of strategic significance to the conduct of war, including petroleum products to Cuba, North Vietnam, or any other nation with which the United States does not have diplomatic relations, he shall immediately suspend such country's quota and reallocate it to other foreign countries as provided in section 204: *Provided*, That if the President further finds that the suspension of any country's sugar quota would be contrary to the national interest, he may permit such country to continue to maintain its sugar quota and he shall report any findings and determinations made under this section to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture and Forestry of the Senate. All findings and determinations made pursuant to this section shall be published in the Federal Register within seven days of submission to the committees and shall contain a statement by the President of the reasons for his determinations.

The matter of free world shipping for North Vietnam was first called to the attention of the House by Congressman Chamberlain of Michigan on July 22, 1965. Congressman Chamberlain provided for the Record certain unclassified figures obtained from the Department of Defense showing that 401 ships flying the flags of the free world nations called at North Vietnam ports during 1964 and that another 74 free world ships had visited the ports of North Vietnam from January through June of 1965.

This is the most recent unclassified information available, but it would appear there is every likelihood this Congress will be granting sizable sugar quotas to countries now engaged in shipping their products or products of other free world countries to North Vietnam.

When this amendment was offered in the committee it was pointed out that the bill already contained language which would take care of such situations. The language referred to is as follows:

(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(3)(A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

The above language is ambiguous and full of bureaucratic loopholes and may or may not apply to this very serious problem which, in our opinion, requires immediate action by this Congress. The committee bill contains specific language removing a sugar quota from any nation which expropriates property of American citizens without due process of law. It should also contain specific language dealing with significant and other military shipments to Vietnam.

Every member will find it interesting to review the comments of Congressman Chamberlain commencing on page 17334, Congressional Record, July 22; his comments on July 28, commencing on page 17914 of the Record; and his comments of August 19, 1965, commencing on page 20231 of the Record. We would suggest that careful attention be paid to those countries receiving sugar quotas (as listed in the majority report) as compared to those countries which through June 30, 1965 (later data not available), carried goods and supplies to North Vietnam or otherwise furnished supplies to our enemy.

DOMESTIC PRODUCERS

While the domestic beet industry has agreed to most of the provisions of this bill dealing with domestic production and marketing of sugar, we would like to point out that on the whole, U.S. sugar-beet producers have not received nearly the equitable treatment to which they are entitled.

H.R. 11135 simply allows the domestic beet grower to market the sugar he produced in response to and at the request of the Secretary of Agriculture.

It does not allow him to share in the growth of the U.S. sugar market until U.S. consumption reaches 10.4 million tons.

It does not provide for any further expansion of the domestic beet industry by new producers in new producing areas.

It does not free him from acreage restrictions and marketing controls. In fact, old growers took an average acreage cut of 11½ percent for 1965—even higher in some areas, such as Kansas—and will take a cut of 5 to 7½ percent in 1966.

Finally, it gives him only about one-third of the Cuban reserve with the rest of the Cuban quota being distributed to the far corners of the world.

In summary, we feel that the committee could have written a much better bill. We are disappointed that we did not do so, and hope that further efforts to improve this legislation will be pursued.

CATHERINE MAY.
BOB DOLE.

OPPOSING VIEWS OF HON. PAUL FINDLEY

SUGAR ACT IN CONFLICT WITH U.S. TRADE OBJECTIVES

This legislation is in direct conflict with avowed U.S. objectives in foreign trade.

Acting under authority of the Trade Expansion Act of 1962, U.S. negotiators at Geneva are striving for lower trade barriers so as to promote a freer movement of commerce among nations. The objective of the Trade Expansion Act was to eliminate or reduce quotas and other restrictive devices imposed by other nations which have the effect of discriminating against American products.

We could examine more easily and accurately the mote in the eye of others if we would first remove the beam from our own.

The Sugar Act is a good place to start.

Of all American schemes to rig markets and control production—and we have them in embarrassing abundance—this one should qualify as the prototype for complexity, extent of Government power and absence of competitive conditions. It makes the Secretary of Agriculture the absolute czar of sugar. Not 1 pound can move legally without his authority.

The act has several purposes:

1. To protect domestic producers. The tropics are best suited to sugar production, and because of this, little or no sugar would be produced in the United States were it not for protection. Under the Sugar Act, approximately 60 percent of the sugar we use is produced domestically.

2. To assure dependable supplies. Foreign countries providing us with the other 40 percent of our requirements are guaranteed premium prices. Because U.S. prices are higher, dependable supplies are assured.

3. To stabilize prices at reasonable levels. Under successive Sugar Acts, prices have remained relatively stable.

This should not be surprising. If Government controlled the supply of shoes the same as sugar the American consumer could be assured stable shoe prices. But \$15 shoes would probably be selling \$25. Prices which are pegged high and kept there by tight Government controls are naturally very stable.

Whether these stable prices are reasonable is open to question. If the American homemaker were confronted with the choice between Canada-priced sugar (currently about 8 cents a pound on the grocery shelf) and U.S.-priced sugar (about 11 cents), she would quickly identify the Canadian item as reasonable and the U.S. item as not. As a practical matter, she has no such choice.

HOW THE PROGRAM OPERATES

Currently, the world price of raw sugar is about \$2 a hundredweight. The comparable U.S. price is about \$5.50. These figures are adjusted

for transportation and the tariff fee of 62 cents per hundredweight, which applies to all imports except those from the Philippines. Under a treaty agreement, the Philippine sugar tariff is on a graduated scale which will not reach the full amount imposed on other countries until 1975.

The inflated U.S. price is achieved and maintained through supply control which is completely in charge of the Secretary of Agriculture. By controlling all marketings and imports, he forces prices to the desired artificial level and keeps them there.

Congress specifies what countries will share in the foreign quotas, how big a piece each will get and who will share in the fill-in business when—due to the weather or other factors—countries do not meet their quotas.

The U.S. part of the pie is also controlled by the Secretary of Agriculture. Production is controlled through Federal licensing of mills. Each mill contracts for supplies from individual farmers. Authority for acreage allotments is also in the act, as a secondary means of production control.

U.S. sugar farmers benefit from two forms of Government action. They produce for the artificially high market price. They also get direct payments.

These payments are graduated, depending on the size of the farm. They range from 30 cents per hundredweight for the big farms to 80 cents for the smallest.

To illustrate the magnitude of these payments to some individual company-farmers, here are the 25 highest payments for the 1963 crop:

U.S. Sugar Corp., Florida.....	\$1, 104, 613. 05
Hawaiian Commercial & Sugar Co., Ltd., Hawaii.....	1, 074, 520. 77
Oahu Sugar Co., Ltd., Hawaii.....	574, 552. 89
C. Brewer Puerto Rico, Inc., Puerto Rico.....	569, 233. 42
Lihue Plantation Co., Ltd., Hawaii.....	559, 892. 84
Waialua Ag. Co., Ltd., Hawaii.....	549, 392. 78
Okeelanta Sugar Refinery, Florida.....	548, 282. 33
Luce & Co., Puerto Rico.....	539, 645. 20
Ewa Plantation Co., Hawaii.....	460, 721. 35
Pioneer Mill Co., Ltd., Hawaii.....	444, 611. 23
Kekaha Sugar Co., Ltd., Hawaii.....	399, 285. 52
Grove Farm Co., Ltd., Hawaii.....	368, 795. 14
Pepeekeo Sugar Co., Hawaii.....	362, 866. 55
Hawaiian Ag. Co., Hawaii.....	359, 090. 02
South Coast Corp., Louisiana.....	356, 593. 10
Antonio Roig Sucrs. S. en C., Puerto Rico.....	346, 517. 03
Laupahoehoe Sugar Co., Hawaii.....	344, 705. 63
Kohala Sugar Co., Hawaii.....	332, 175. 94
Olokele Sugar Co., Ltd., Hawaii.....	312, 628. 01
Puna Sigar Co., Ltd., Hawaii.....	298, 803. 48
Wailuku Sugar Co., Hawaii.....	296, 631. 39
McBryde Sugar Co., Ltd., Hawaii.....	294, 161. 87
Hutchinson Sugar Co., Ltd., Hawaii.....	287, 647. 39
Suc. J. Serralles, Puerto Rico.....	273, 404. 51
Onomea Sugar Co., Hawaii.....	268, 893. 31

Because of these direct payments—and the 62-cent tariff—raw sugar produced locally is about \$1.20 per hundredweight more costly than sugar imported under quotas from foreign producers. It is about \$4.70 higher than the price at which sugar presently moves in world markets.

COST OF PROGRAM

It is apparent from this that the Sugar Act is very costly for U.S. consumers. For example, the shelf price of sugar in Canada recently was 8 cents a pound compared with 11 cents in the United States. Canada is within a British-protected market and prices below 8 cents can be found elsewhere in the world.

At present prices, the value of the "quota premium"—approximately the difference between the world price and the U.S. price of raw sugar—is about \$3.50 per hundredweight, or \$70 a ton. If the United States consumes 10 million tons as expected during the next year, this means the Sugar Act will impose a burden of at least \$700 million on U.S. consumers.

Of the 10 million tons, about 4 million will be purchased under foreign quotas. Thus, the "quota premium" for the foreign part alone is about \$280 million.

This bill will authorize the program for 5 years. If prices average out at present levels for the 5 years, this legislation will put a burden of about \$3.5 billion on consumers for the whole package, or \$1.4 billion for the foreign-aid part alone.

A proper evaluation of the program's cost must, of course, give consideration to the importance to the U.S. economy of domestic sugar production. The domestic part gives livelihood to many tax-paying U.S. citizens. Some argue that domestic sugar production is important from the standpoint of national security.

The question is where and how the line is drawn. In my view, this legislation puts the line far beyond the limits of reason.

A substantial amount of domestic production could be protected at far less cost through a simple tariff pegged at \$2 per hundredweight.

Dependable additional supplies could be assured through private contractual arrangements—as they are in the case of many raw materials—without the tight Government controls embodied in this program.

Even if the Government-control approach is retained, dependable supplies could be assured at a premium price far below the present one.

The price paid to foreign suppliers is presently nearly three times the world price.

This is profiteering on a grand scale, and the consumers are forced to pick up the tab. The Federal Trade Commission and other agencies which are intended to protect the public interest are powerless to act in this case, because the profiteering is not only sanctioned, but promoted and carried out by the Government itself.

INFLUENCE OF LOBBYISTS

Because this legislation is such a sugary plum for foreigners lucky enough to get a piece, lobbying has developed to an extraordinary level.

I was unable to question lobbyists who appeared before the committee concerning their fees and services performed (see p. 203 of the hearings on H.R. 10496), but I was able to secure the desired information from the Foreign Agents Registrations Section of the Justice Department, where filing by these lobbyists is required every 6 months.

The fees range from relatively modest retainers of \$3,000 a year—two lobbyists fall in that range—to \$50,000 a year—two at this level—several in the \$20,000 to \$25,000 a year rung, and others in between.

Most of the lobbyists either represent foreign governments directly or government-controlled sugar enterprises.

Public money—and only public money—is involved. The lobbyists have one clear objective: to get as much of the sugar pie as possible. In effect, their fees are covered by the American taxpayers and consumers, because the sugar program—which is completely under the control of the Secretary of Agriculture—makes possible the sugary premium prices for foreign countries lucky enough to get quotas.

Lobbying in behalf of sugar legislation appears to me to be more costly and more extensive than that in behalf of any other legislation on Capitol Hill. I have made several inquiries and have learned of no other legislation which has called forth as witnesses such an impressive string of well-paid private attorneys representing foreign governments. For that matter, private attorneys representing foreign governments are unknown as witnesses before the Foreign Affairs Committee, which sets the guidelines for foreign aid programs even more extensive than the Sugar Act.

The Sugar Act touches intimately on foreign policy. Undoubtedly it has influenced tremendously the economic development of many small countries. Cuba, for example, once had a diversified agriculture. Preferential treatment which Cuba for many years received from the United States on sugar quotas eventually shifted Cuba to a one-crop economy. Sugar quotas undoubtedly have figured in the rise and fall of several Latin American governments. Like it or not, the Sugar Act has built into it the seeds of war and peace.

Sugar quotas caused rioting in Argentina in 1962. Whether the committee action this year reducing to one-third the quota sought by the administration for Argentina will cause trouble again remains to be seen. Certainly the Peronistas are strong in sugar areas of Argentina.

Some of the fees paid to lobbyists are shockingly high. They are so high they raise questions. For example, what do the clients get for the money? How does an attorney justify a fee of \$50,000 a year? Maybe he does things and performs services that do not readily come to mind, but it appears that most of them are overpaid. But would foreign countries continue year after year to overpay them? The lobbyists should have the opportunity to explain why they get so much.

TABLE 1.—*Information on sugar lobbyists*

Name of attorney and firm	Client's name	Compensation for most recent 12-month period reported
Attorney Charles Patrick Clark, 500 World Center Bldg., Washington, D.C.	Venezuelan Sugar Distributing Association	\$50,000.00
Attorney Oscar L. Chapman of Chapman & Friedman, Pennsylvania Bldg., Washington, D.C.	National Union of Sugar Producers of Mexico	50,000.00
Mr. Albert S. Nemir, A. S. Nemir Associates, 1016-1022 Warner Bldg., Washington, D.C.	Brazilian Sugar & Alcohol Institute	31,511.06
Attorney Arthur L. Quinn & Quinn, 1625 K St. N.W., Washington, D.C.	Privately owned sugar companies in British West Indies, British Guiana and Ecuador, Panama and British Honduras.	25,000.00
Attorney Sheldon Z. Kaplan of Wilkinson, Cragun & Barker, 1616 H St. N.W., Washington, D.C.	Representing Latin-American Sugar Council, Honduras, El Salvador, Nicaragua, Guatemala, and Costa Rica.	24,800.00
Attorney Charles H. Brown, 1705 DeSales St. N.W., Washington, D.C.	Fiji	24,000.00
Dawson, Griffin, Pickens & Riddell, 731 Washington Bldg., Washington, D.C.	Indian Sugar Mills Association	20,000.00
Attorney John R. Mahoney of Casey, Lane & Mittendorf, 26 Broadway, New York, N.Y.	South African Sugar Association	19,320.08
Attorney Robert C. Barnard of Cleary, Gottlieb, Steen & Hamilton, 52 Wall St., New York, N.Y.	Colonial Sugar Refinery Sydney, Australia	19,175.12
Attorney John A. O'Donnell, 1025 Connecticut Ave. N.W., Washington, D.C.	Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.	18,000.00
Attorney Arnold F. Shaw, 503 D St. N.W., Washington, D.C.	Sugar Producers Committee of Peru	15,000.00
Attorneys Ernest Schein and John G. Laylin, 815 15th St. N.W., Washington, D.C.	Associated Sugar Producers of Colombia	15,000.00
Attorney James M. Earnest, 1000 Woodward Bldg., Washington, D.C.	Mauritius Chamber of Agriculture and the Mauritius Sugar Syndicate.	13,952.00
Attorney Walter Sterling Surrey of Surrey, Karasik, Gould & Greene, 1116 Woodward Bldg., Washington, D.C.	Sugar Producers of Guadeloupe and Martinique	12,500.00
Attorney Seymour S. Gutham, Woodward Bldg., suite 200, Washington, D.C.	Sugar Producers of the Madagascar Republic	7,500.00
Attorney Ganson Purcell, partner in firm of Purcell & Nelson, 888 17th St. N.W., Washington, D.C.	Southern Rhodesia Sugar Sales, Ltd.	5,000.00
Attorney George M. Grant, 1619 Massachusetts Ave. N.W., Washington, D.C.	Thailand	3,500.00
Attorney Robert L. Farrington, 1155 15th St. N.W., Washington, D.C.	Republic of China	3,000.00
Attorney Robert D. Larsen of Royall, Koegel & Rogers, 1730 K St. N.W., Washington, D.C.	Swaziland Sugar Association	(1)

¹ Filed Aug. 2, 1965 (nothing received up to time of filing).

TABLE 2.—Comparison of foreign sugar quotas for nations other than the Philippine Islands under H.R. 11135 and administration proposal, both computed at 9.7 million tons annual U.S. consumption (short tons, raw value)

Country	H.R. 11135 as reported by House Agriculture Committee	H.R. 10496 as recommended by the administration
(A) Countries in the Western Hemisphere:		
Mexico.....	340,925	390,135
Dominican Republic.....	340,925	385,854
Brazil.....	340,925	221,558
Peru.....	272,013	240,824
British West Indies.....	150,397	122,017
Ecuador.....	50,267	49,770
French West Indies.....	42,970	50,841
Colombia.....	42,970	27,829
Costa Rica.....	42,159	34,786
Nicaragua.....	38,511	40,672
Guatemala.....	32,536	35,321
Venezuela.....	30,809	2,676
El Salvador.....	30,403	17,125
Haiti.....	28,782	18,731
Panama.....	25,134	14,449
Argentina.....	21,485	63,685
British Honduras.....	19,804	4,281
Bolivia.....	4,054	None
Honduras.....	4,054	None
(B) Countries outside the Western Hemisphere:		
Australia.....	162,152	186,772
Republic of China.....	67,293	67,431
India.....	64,861	96,865
South Africa.....	29,593	96,865
Fiji.....	24,323	45,489
Thailand.....	19,864	None
Mauritius.....	14,188	14,985
Swaziland.....	6,081	9,098
Southern Rhodesia.....	6,081	9,098
Malagasy Republic.....	6,081	7,492
Total.....	2,260,000	2,260,000

How effective are the lobbyists in getting what they want? The results are mixed.

One of them was given credit by the chairman of this committee for rallying a foreign-producer protest of sufficient magnitude that the Johnson administration dropped plans to recommend a "recapture" arrangement which, at present prices, would have enriched the U.S. Treasury by \$80 million a year. (See p. 182 of the hearings on H.R. 10496.)

The "recapture" proposal had been recommended earlier this year by the "sugar industry," a group of U.S. firms interested in sugar production and processing. Included were the domestic beet sugar industry, mainland cane sugar industry, Hawaiian sugar industry, Puerto Rican sugar industry and the U.S. Cane Sugar Refiners' Association. At the request of the administration, this group made proposals for Sugar Act revision. The "recapture" proposal was included in them.

It would have established next year "an import fee on foreign sugar" which would be 1 cent per pound or one-half the difference between the U.S. price objective and the world raw sugar price—whichever is less.

Under present prices, the 1-cent provision would operate, and it would yield about \$80 million a year.

In a statement March 29, the "sugar industry" said the import fee would "tend to discourage overexpansion of world sugar production and tend to facilitate achievement of price objectives of the act."

This provision—worth \$80 million a year to U.S. taxpayers—was dropped. In committee I offered an amendment to restore the import fee. My amendment was defeated.

Philippine sugar interests seem to be well represented.

Under a longstanding treaty, the Philippines get a basic quota of 980,000 tons and, as mentioned before, a sliding scale on the tariff. In the present legislation, the Philippines get an extra quota of 70,000 tons annually. In addition, they get 10.86 percent of all increase in sugar consumption between the levels of 9.7 million tons and 10.4 million tons. This will yield an additional quota of about 30,000 tons the first year of this legislation.

A tidbit in H.R. 10496 gave the Philippines 47.22 percent of any deficit which occurs in domestic quota production. Based on past performance, this will yield the Philippines an additional 150,000 tons a year.

But this was not enough.

After the Philippines examined the language of the bill, they complained that the Philippines were not given 47.22 percent of deficits which might occur in all foreign quotas too.

The result was a new sugar bill, H.R. 11135, introduced the day after the committee had thought it had taken final action reporting the bill. It gives the Philippines 47.22 percent of all quota deficits, foreign and domestic (except for the six Central American Common Market countries).

In both versions, the Philippines get an increase of more than 3,000 tons in a special category called direct consumption. This sugar is refined, not raw. The Philippines is one of two countries enjoying this special privilege and the only one getting an increase.

Not all countries which had lobbyists got increased quotas, but each of the nine countries which got quotas for the first time this year had lobbyists. Argentina did not hire a lobbyist, reportedly because it thought it was not the thing to do. The Argentina quota is cut to about one-third the level recommended by the administration.

STUDY IS NEEDED

A thorough study of sugar is needed. Many questions need answers. Among them are these:

What price advantage is needed to assure dependable supplies from foreign producers?

To what extent, if at all, were the sugar price increases in 1963-64 caused by the "global quotas" imposed by the 1962 act?

Does the domestic program keep inefficient producers in business and thus bring excessive profits to the efficient producers, and if so, to what extent?

What effect does the program have on economic and political developments in quota countries?

Do foreign governments actually get the foreign-aid component of U.S. sugar prices, or does it simply enrich private firms?

What level of domestic sugar production is required by national security considerations?

A proposal was recently made for the study of sugar legislation by the Joint Economic Committee to determine its economic impact. The Congress might profit from a study of this program by the Tariff Commission, or by the staff of Ways and Means Committee which has

and extensive background in tariff and quota matters. Curiously, the Ways and Means Committee is completely bypassed, although the legislation intimately involves tariff and other revenue.

WAYS BILL COULD BE IMPROVED

The most needed improvement is reduction of the bill's foreign-aid component. A quota premium worth more than the world market price of raw sugar is nonsense. It is not needed to assure dependable supplies.

One way to cut is to restore the "import fee" which the Kennedy administration proposed but the Johnson administration later dropped. This would cut the foreign-aid component from about \$280 million a year, to about \$200 million.

Another approach would be to increase the sugar tariff from its present level of 62 cents per hundredweight to \$2. This would transfer over \$100 million of the foreign-aid gravy to the U.S. Treasury.

Still another possibility would be to reduce U.S. sugar prices. This probably would force out some of the less efficient domestic producers.

The best improvement would be to drop the act entirely, and rely on a simple tariff to give desired domestic protection. The tariff approach would end Government rule of sugar. All foreign producers would have fair and equal access to the U.S. market. All domestic farmers would have fair and equal opportunity to compete for tariff-protected business.

To provide time for an objective study of the Sugar Act, the Congress would be wise to deal at this time only with stopgap legislation needed to meet marketing problems of domestic producers, and leave the foreign-quota problem to next year.

PAUL FINDLEY.



89TH CONGRESS
1ST SESSION

H. R. 11135

[Report No. 1046]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 1965

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

SEPTEMBER 21, 1965

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 (1) Paragraphs (1) and (2) (A) of subsection (a)
4 are amended to read as follows:

5 “(a) (1) For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

“Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

8 “(2) (A) To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 there shall be added or deducted, as the case may be, an
11 amount equal to 65 per centum of the amount by which the
12 Secretary’s determination of requirements of consumers in
13 the continental United States pursuant to section 201 for
14 the calendar year exceeds ten million four hundred thou-
15 sand short tons, raw value, or is less than nine million seven
16 hundred thousand short tons, raw value. Such amount shall
17 be apportioned between the domestic beet sugar area and
18 the mainland cane sugar area on the basis of the quotas for
19 such areas established under paragraph (1) of this subsec-
20 tion and the amounts so apportioned shall be added to, or
21 deducted from the quotas for such areas.”

1 (2) Subsection (b) is amended to read as follows:

2 “(b) For the Republic of the Philippines, in the amount
3 of one million and fifty thousand short tons, raw value, plus
4 10.86 per centum of the amount, not exceeding seven hun-
5 dred thousand short tons, raw value, by which the Secre-
6 tary’s determination of requirements of consumers in the
7 continental United States pursuant to section 201 for the
8 calendar year exceed nine million seven hundred thousand
9 short tons, raw value.”

10 (3) Subsection (c) is amended to read as follows:

11 “(c) (1) For foreign countries other than the Republic
12 of the Philippines, an amount of sugar, raw value, equal
13 to the amount determined pursuant to section 201 less the
14 sum of the quotas established pursuant to subsections (a)
15 and (b) of this section.

16 “(2) For the calendar year 1965, for individual foreign
17 countries other than the Republic of the Philippines, by pro-
18 rating the amount of sugar determined under paragraph (1)
19 of this subsection among foreign countries on the basis of the
20 quotas established in sugar regulation 811, as amended,
21 issued February 15, 1965 (30 F.R. 2206).

22 “(3) For the calendar year 1966 through 1971, in-
23 clusive, for individual foreign countries other than the
24 Republic of the Philippines, Ireland, and the Bahama
25 Islands, by prorating the amount of sugar determined under

1 paragraph (1) of this subsection, less the amounts required
 2 to establish quotas as provided in paragraph (4) of this
 3 subsection for Ireland and the Bahama Islands, among for-
 4 eign countries on the following basis:

5 “(A) For countries in the Western Hemisphere:

“Country	Per centum
Cuba-----	44.25
Mexico-----	8.41
Dominican Republic-----	8.41
Brazil-----	8.41
Peru-----	6.71
British West Indies-----	3.71
Ecuador-----	1.24
French West Indies-----	1.06
Colombia-----	1.06
Costa Rica-----	1.04
Nicaragua-----	.95
Guatemala-----	.81
Venezuela-----	.76
El Salvador-----	.75
Haiti-----	.71
Panama-----	.62
Argentina-----	.53
British Honduras-----	.49
Bolivia-----	.10
Honduras-----	.10

6 “(B) For countries outside the Western Hemisphere:

“Country	Per centum
Australia-----	4.00
Republic of China-----	1.66
India-----	1.60
South Africa-----	.73
Fiji-----	.60
Thailand-----	.49
Mauritius-----	.35
Swaziland-----	.15
Southern Rhodesia-----	.15
Malagasy Republic-----	.15

7 “(4) For the calendar year 1966 and each subsequent
 8 calendar year, for Ireland, in the amount of ten thousand
 9 short tons, raw value, of sugar; and for the calendar year

1 1968 and each subsequent calendar year, for the Bahama
 2 Islands, in the amount of ten thousand short tons, raw value,
 3 of sugar: *Provided*, That the Secretary obtains such assur-
 4 ances from each such country as he may deem appropriate
 5 prior to January 1 of each such calendar year that the quota
 6 for such year will be ~~filled.~~ *filled with sugar produced in*
 7 *such country.*"

8 (4) Subsections (d), (e), and (f) are hereby amended
 9 and subsection (g) is added to read as follows:

10 "(d) Notwithstanding any other provision of this Act—

11 "(1) (A) During the current period of suspension
 12 of diplomatic relations between the United States and
 13 Cuba, the quota provided for Cuba under subsection (c)
 14 shall be withheld and a quantity of sugar equal to such
 15 quota shall be prorated as follows:

16 "(i) any quantity ~~up to and including the~~
 17 ~~amount~~ of quota withheld from Cuba at a determi-
 18 nation *up to and including the amount* of ten mil-
 19 lion short tons, raw value, under section 201 shall
 20 be prorated to other foreign countries named in
 21 paragraph (3) of subsection (c) on the basis of
 22 the percentages stated therein; and, in addition,

23 "(ii) any quantity ~~in excess of the amount~~ of
 24 quota withheld from Cuba at a determination *in*
 25 *excess of the amount* of ten million short tons, raw

1 value, under section 201, shall be prorated to other
2 foreign countries named in paragraph 3 (3) (A)
3 of subsection (c) that are members of the Organiza-
4 tion of American States on the basis of the per-
5 centages stated therein.

6 “(B) Whenever and to the extent that the Presi-
7 dent finds that the establishment or continuation of a
8 quota or any part thereof for any foreign country would
9 be contrary to the national interest of the United States,
10 such quota or part thereof shall be withheld or sus-
11 pended, and such importation shall not be permitted.
12 A quantity of sugar equal to the amount of any quota
13 so withheld or suspended shall be prorated to the other
14 countries listed in subsection (c) (3) (A) (other than
15 any country whose quota is withheld or suspended) on
16 the basis of the quotas then in effect for such countries.

17 “(C) The quantities of sugar prorated pursuant to
18 the foregoing provisions of this subsection shall be desig-
19 nated as temporary quotas and the term ‘quota’ as
20 defined in this Act shall include a temporary quota
21 established under this subsection.

22 “(2) (A) Whenever the Secretary finds that it is
23 not practicable to obtain the quantity of sugar needed
24 from foreign countries to meet any increase during the
25 year in the requirements of consumers under section 201

1 by apportionment to countries pursuant to subsections
2 (b) and (c) and the foregoing provisions of this sub-
3 section, such quantity of sugar may be imported on a
4 first-come, first-served basis from any foreign country,
5 except that no sugar shall be authorized for importation
6 from Cuba until the United States resumes diplomatic
7 relations with that country and no sugar shall be author-
8 ized for importation hereunder from any foreign country
9 with respect to which a finding by the President is in
10 effect under subsection (d) (1) (B) : *Provided*, That
11 such finding shall not be made in the first nine months
12 of the year unless the Secretary also finds that limited
13 sugar supplies and increases in prices have created or
14 may create an emergency situation significantly inter-
15 fering with the orderly movement of foreign raw sugar
16 to the United States. In authorizing the importation
17 of such sugar the Secretary shall give special considera-
18 tion to countries which agree to purchase for dollars
19 additional quantities of United States agricultural prod-
20 ucts. In the event that the requirements of consumers
21 under section 201 are thereafter reduced in the same
22 calendar year, an amount not exceeding such increase in
23 requirements shall be deducted pro rata from the quotas
24 established pursuant to subsection (c) and this sub-
25 section.

1 “(B) Sugar imported under the authority of this
2 paragraph (2) shall be raw sugar, except that if the
3 Secretary determines that the total quantity is not rea-
4 sonably available as raw sugar, he may authorize the
5 importation for direct consumption of so much of such
6 quantity as he determines may be required to meet the
7 requirements of consumers in the United States.

8 “(3) No quota shall be established for any country
9 ~~other than Ireland~~ for any of the years following a period
10 of twenty-four months, ending June 30 prior to the es-
11 tablishment of quotas for such year, in which its aggre-
12 gate imports of sugar equaled or exceeded its aggregate
13 exports of sugar from such country to countries other
14 than the United States.

15 “(4) Whenever in any calendar year any foreign
16 country fails, subject to such reasonable tolerance as the
17 Secretary may determine, to fill the quota as established
18 for it pursuant to this Act, the quota for such country
19 for subsequent calendar years shall be reduced as fol-
20 lows:

21 “~~(a)~~ (A) the quota established under section
22 202 (b), and the quotas established under sections
23 202 (c) and 202 (d) (1) for any country having a
24 quota at the end of the preceding year of less than
25 two hundred thousand short tons, raw value, shall be

reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of such quota for the preceding calendar ~~year; and~~ year: *Provided, That in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar; and*

“(b) (B) the quota established under section 202 (c) and section 202 (d) (1) for any such country having a quota at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 130 per centum of such quota for the preceding calendar year: *Provided, That (i) no such reduction under either subparagraphs (A) or (B) shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring*

1 thereafter, as soon as practicable after such events),
2 of the likelihood of such failure and the Secretary
3 finds that such failure was due to crop disaster or
4 other force majeure, unless such country exported
5 sugar in such year to a country other than the
6 United States, in which case the reduction in quota
7 for the subsequent years shall be limited to the
8 amount of such exports, as determined by the
9 Secretary, *and* (ii) the reduction in quota for any
10 country having a quota established under section
11 202 (c) and section 202 (d) (1) at the end of the
12 preceding calendar year of two hundred thousand
13 short tons, raw value, or more shall be limited, if the
14 quota for any such country on July 1 of the year
15 in which such quota was not filled is less
16 than 130 per centum of its quota for the pre-
17 ceding calendar year, to the larger of ~~(A)~~ (1) the
18 amount by which its exports of sugar to the United
19 States in the year such quota was not filled were less
20 than ~~125~~ 115 per centum of the quotas for the pre-
21 ceding year or ~~(B)~~ (2) the amount by which its
22 exports of sugar to the United States in the year
23 such quota was not filled were less than such quota
24 on July 1, and ~~(iii)~~ in no event shall the quota for
25 the Republic of the Philippines be reduced to an

1 ~~amount less than nine hundred and eighty thousand~~
2 ~~short tons, raw value, of sugar.~~ *July 1.*

3 “(5) Any reduction in a quota because of the re-
4 quirements of paragraphs (3) and (4) of this sub-
5 section shall be prorated to other foreign countries in
6 the same manner as deficits are prorated under section
7 204 of this Act. For purposes of determining unfilled
8 portions of quotas, entries of sugar from a foreign coun-
9 try shall be prorated between the temporary quota estab-
10 lished pursuant to paragraph (1) of this subsection and
11 the quota established pursuant to subsection (c).

12 “(e) Whenever the President finds that it is in the
13 national interest of the United States to reestablish a quota
14 or part thereof withheld or suspended under subsection
15 (d) (1) (B) of this section, and, in the case of Cuba under
16 subsection (d) (1) (A) of this section, diplomatic relations
17 have been resumed by the United States, such quota shall
18 be restored in the manner the President finds appropriate:
19 *Provided*, That the entire amount of such quota shall be
20 restored for the third full calendar year following such find-
21 ing by the President. The temporary quotas established
22 pursuant to subsection (d) (1) shall, notwithstanding any
23 other provision of this section, be reduced pro rata to the
24 extent necessary to restore the quota in accordance with
25 the provisions of this subsection.

1 “(f) Whenever any quota is required to be reduced
2 pursuant to subsection (e) or because of a reduction in
3 the requirements of consumers under section 201 of this
4 Act, and the amount of sugar imported from any country
5 or marketed from any area at the time of such reduction
6 exceeds the reduced quota, the amount of such excess shall,
7 notwithstanding any other provision of this section, be de-
8 ducted from the quota established for such country or
9 domestic area for the next succeeding calendar year.

10 “(g) The quota established for any foreign country
11 and the quantity authorized to be imported from any country
12 under subsection (d) (2) of this section may be filled only
13 with sugar produced from sugarbeets or sugarcane grown
14 in such country.”

15 SEC. 4. Section 204 of the Sugar Act of 1948, as
16 amended, is amended to read as follows:

17 “SEC. 204. (a) The Secretary shall from time to time
18 determine whether, in view of the current inventories of
19 sugar, the estimated production from the acreage of sugar-
20 cane or sugarbeets planted, the normal marketings within a
21 calendar year of new-crop sugar, and other pertinent factors,
22 any area or country will be unable to market the quota for
23 such area or country. If the Secretary determines that any
24 domestic area or foreign country listed in section 202 (c)
25 (3) (A) will be unable to market its quota, he shall revise

1 the quota for the Republic of the Philippines by allocating to
2 it an amount of sugar equal to 47.22 per centum of the
3 deficit, and shall allocate an amount of sugar equal to the
4 remainder of the deficit to the countries listed in section
5 202 (c) (3) (A) on the basis of the quotas then in effect
6 for such countries: *Provided*, That any deficit resulting from
7 the inability of a country which is a member of the Central
8 American Common Market to fill its quota shall first be
9 allocated to the other member countries on the basis of the
10 quotas then in effect for such countries: *And provided fur-*
11 *ther*, That if any quota is restored to Cuba, the maximum
12 per centum of 47.22 of the deficit to be allocated to the
13 Republic of the Philippines shall be reduced to a per centum
14 equal to that which the Philippine quota under subsection
15 (b) of section 202 bears to the sum of such Philippine quota
16 and the quotas then in effect for all foreign countries pursu-
17 ant to subsection (c) of section 202. If the Secretary
18 determines the Republic of the Philippines will be unable to
19 fill its share of any deficit determined under *the foregoing*
20 *provisions of* this subsection, he shall allocate such unfilled
21 amount to the countries listed in section 202 (c) (3) (A)
22 on the basis of the quotas then in effect for such countries.
23 If the Secretary determines that neither the Republic of
24 the Philippines nor the countries listed in section 202 (c)
25 (3) (A) can fill all of any such deficit, he shall apportion

1 such unfilled amount on such basis and to such foreign
2 countries as he determines is required to fill such deficit.
3 If the Secretary determines that any foreign country with
4 a quota established pursuant to section 202 (c) (3) (B)
5 or section 202 (c) (4) will be unable to market the quota
6 for such area or country, he shall revise the quota for the
7 Republic of the Philippines by allocating to it an amount
8 of sugar equal to 47.22 per centum of the deficit, and
9 shall allocate an amount of sugar equal to the remainder
10 of the deficit to the countries listed in section 202 (c) (3)
11 (B) on the basis of the quotas then in effect for such coun-
12 tries: *Provided*, That if any quota is restored to Cuba, the
13 maximum per centum of 47.22 of the deficit to be allocated
14 to the Republic of the Philippines shall be reduced to a per
15 centum equal to that which the Philippine quota under sub-
16 section (b) of section 202 bears to the sum of such Philip-
17 pine quota and the quotas then in effect for all foreign coun-
18 tries pursuant to subsection (c) of section 202. If the Sec-
19 retary determines the Republic of the Philippines will be un-
20 able to fill its share of any deficit determined ~~under this sub-~~
21 ~~section~~, *for any country listed in section 202(c)(3)(B)*,
22 he shall allocate such unfilled amount to the countries *so*
23 ~~listed in section 202(c)(3)(B)~~ on the basis of the quotas
24 then in effect for such countries. If the Secretary deter-
25 mines that neither the Republic of the Philippines nor

1 the countries listed in section 202 (c) (3) (B) can fill all of
2 any such deficit, he shall apportion such unfilled amount on
3 such basis and to such foreign countries as he determines is
4 required to fill such deficit. Deficits shall not be allocated
5 to any country whose quota has been suspended or withheld
6 pursuant to subsection (d) (1) of section 202. The Secre-
7 tary shall insofar as practicable determine and allocate
8 deficits so as to assure the availability of the sugar for im-
9 portation during the calendar year. In any event, any
10 deficit, so far as then known, shall be determined and allo-
11 cated by August 1 of the calendar year. Notwithstanding
12 the foregoing provisions of this subsection, if the President
13 determines that such action would be in the national interest,
14 any part of a deficit which would otherwise be allocated to
15 countries listed in section 202 (c) may be allocated to one or
16 more of such countries with a quota in effect on such basis
17 as the President finds appropriate.

18 “(b) The quota established for any domestic area or
19 any foreign country under section 202 shall not be reduced
20 by reason of any determination of a deficit existing in any
21 calendar year under subsection (a) of this section: *Provided*,
22 That the quota for any foreign country shall be reduced to
23 the extent that it has notified the Secretary that it cannot
24 fill its quota and the Secretary has found under section 202

1 (d) (4) that such failure was due to crop disaster or other
2 force majeure.”

3 SEC. 5. Section 205 of the Sugar Act of 1948, as
4 amended, is amended, (1) by inserting after the third
5 sentence thereof the following two new sentences: “The
6 Secretary is also authorized in making such allotments of a
7 quota for the mainland cane sugar area for any calendar
8 year after 1966 to take into consideration, in lieu of or in
9 addition to the foregoing factors of processing, past market-
10 ings, and ability to market, the need of establishing an allot-
11 ment which will permit such marketing of sugar as is neces-
12 sary for reasonably efficient operation during each of the first
13 two years of operation of a new sugarcane processing facility
14 or mill that begins the production of sugar from sugarcane
15 for the first time after the calendar year 1966. The Secre-
16 tary is also authorized in making such allotments of a quota
17 for any calendar year to take into consideration, in lieu of
18 or in addition to the foregoing factors of processing, past
19 marketings, and ability to market, the need for establishing
20 an allotment which will permit such marketing of sugar as is
21 necessary for the reasonably efficient operation of any non-
22 affiliated single plant processor of sugarbeets or any processor
23 of sugarcane and as may be necessary to avoid unreasonable
24 carryover of sugar in relation to other processors in the
25 area: *Provided*, That the marketing allotment of any such
26 processor of sugarbeets shall not be increased under this pro-

1 vision above an allotment of twenty-five thousand short tons,
2 raw value, and the marketing allotment of a processor of
3 sugarcane shall not be increased under this provision above
4 an allotment equal to the effective inventory of sugar of such
5 processor on January 1 of the calendar year for which such
6 allotment is made, except that the marketing allotment for
7 1965 of a processor of sugarcane, other than a processor-
8 refiner, who had a physical inventory of sugar on January 1,
9 1964, equal to 55 per centum or more of his 1963 crop pro-
10 duction may be increased by an additional six thousand
11 two hundred short tons of sugar, raw value: *Provided,*
12 *further,* That the total increases in marketing allotments
13 made to processors in the domestic beet sugar and main-
14 land cane sugar areas pursuant to this sentence shall be
15 limited to twenty-five thousand short tons of sugar, raw
16 value, for each such area for each calendar year.”; and (2)
17 by adding at the end of subsection (a) the following sen-
18 tence: “If allotments are in effect at the time of a reduction
19 in a domestic area quota for any year, the amount marketed
20 by a person in excess of the amount of his allotment as re-
21 duced in conformity with the reduction in the quota shall
22 not be taken into consideration in establishing an allotment
23 in the next succeeding year for such person, and any allot-
24 ment established for such person for the next succeeding year
25 shall be reduced by such excess amount.”

1 SEC. 6. Section 206 of the Sugar Act of 1948, as
2 amended, is amended to read as follows:

3 “SEC. 206. (a) If the Secretary determines that the
4 prospective importation or bringing into the continental
5 United States, Hawaii, or Puerto Rico of any sugar-contain-
6 ing product or mixture will substantially interfere with the
7 attainment of the objectives of this Act, he may limit the
8 quantity of such product or mixture to be imported or
9 brought in from any country or area to a quantity which
10 he determines will not so interfere: *Provided*, That the
11 quantity to be imported or brought in from any country or
12 area in any calendar year shall not be reduced below the
13 average of the quantities of such product or mixture annually
14 imported or brought in during the most recent three con-
15 secutive years for which reliable data of the importation or
16 bringing in of such product or mixture are available.

17 “(b) In the event the Secretary determines that the
18 prospective importation or bringing into the continental
19 United States, Hawaii, or Puerto Rico, of any sugar-
20 containing product or mixture will substantially interfere
21 with the attainment of the objectives of this Act and there
22 are no reliable data available of such importation or bring-
23 ing in of such product or mixture for three consecutive years,
24 he may limit the quantity of such product to be imported
25 or brought in annually from any country or area to a quan-

1 tity which the Secretary determines will not substantially
2 interfere with the attainment of the objectives of the Act,
3 provided that such quantity from any one country or area
4 shall not be less than a quantity containing one hundred
5 short tons, raw value of sugar or liquid sugar.

6 “(c) In determining whether the actual or prospective
7 importation or bringing into the continental United States,
8 Hawaii, or Puerto Rico of a quantity of a sugar-containing
9 product or mixture will or will not substantially interfere
10 with the attainment of the objectives of this Act, the Secre-
11 tary shall take into consideration the total sugar content of
12 the product or mixture in relation to other ingredients or to
13 the sugar content of other products or mixtures for similar
14 use, the costs of the mixture in relation to the costs of its
15 ingredients for use in the continental United States, Hawaii,
16 or Puerto Rico, the present or prospective volume of im-
17 portations relative to past importations, the type of packag-
18 ing, whether it will be marketed to the ultimate consumer in
19 the identical form in which it is imported or the extent to
20 which it is to be further subjected to processing or mixing
21 with similar or other ingredients, and other pertinent infor-
22 mation which will assist him in making such determination.
23 In making determinations pursuant to this section, the Sec-
24 retary shall conform to the rulemaking requirements of sec-
25 tion 4 of the Administrative Procedure Act.”

1 SEC. 7. Subsections (d) and (e) of section 207 of the
2 Sugar Act of 1948, as amended, are amended as follows:

3 “(d) Not more than fifty-nine thousand nine hundred
4 and twenty short tons, raw value, of the quota for the Re-
5 public of the Philippines may be filled by direct-consumption
6 sugar.

7 “(e) None of the quota established for any foreign
8 country other than the Republic of the Philippines and none
9 of the deficit prorations and apportionments for any foreign
10 country established under or in accordance with section
11 204 (a) may be filled by direct-consumption sugar: *Pro-*
12 *vided*, That the quotas for Ireland, ~~Belgium~~, and Panama
13 may be filled by direct-consumption sugar to the extent of
14 ten thousand short tons, raw value, for Ireland; ~~one hundred~~
15 ~~and eighty-two short tons, raw value, for Belgium~~; and three
16 thousand eight hundred and seventeen short tons, raw
17 value, for Panama.”

18 SEC. 8. Section 209 of the Sugar Act of 1948, as
19 amended, is amended by striking from subsection (e) thereof
20 the words “any sugar or liquid sugar” and inserting in lieu
21 thereof the following: “any sugar or liquid sugar in excess
22 of one hundred pounds in any calendar year”; and by adding
23 a new subsection (f) as follows: *year*”.

24 “~~(f) From importing into the continental United States~~
25 ~~from foreign countries any raw sugar within the applicable~~

1 quota, or the proration of any such quota, unless the weight
2 of such raw sugar has been determined after arrival into the
3 continental United States and has been certified by a person
4 who is primarily engaged in the weighing of commodities
5 for others and who directly or indirectly neither buys or sells
6 sugar nor is owned, controlled, or associated with a person
7 that buys or sells sugar.”

8 SEC. 9. Section 213 of the Sugar Act of 1948, as
9 amended, is repealed.

10 SEC. 10. Section 302 of the Sugar Act of 1948, as
11 amended, is amended as follows:

12 (1) Paragraph (1) of subsection (b) is amended to
13 read as follows:

14 “(b) (1) The Secretary shall determine for each crop
15 year whether the production of sugar from any crop of sugar-
16 beets or sugarcane will, in the absence of proportionate
17 shares, be greater than the quantity needed to enable the
18 area to meet its quota and provide a normal carryover in-
19 ventory, as estimated by the Secretary for such area for the
20 calendar year during which the larger part of the sugar
21 from such crop normally would be marketed. Such deter-
22 mination shall be made only with respect to the succeeding
23 crop year and, beginning with the 1966 crop year, only
24 after due notice and opportunity for an informal public
25 hearing. If the Secretary determines that the production

1 of sugar from any crop of sugarbeets or sugarcane will be in
2 excess of the quantity needed to enable the area to meet its
3 quota and provide a normal carryover inventory, he shall
4 establish proportionate shares for farms in such areas as
5 provided in this subsection, except that the determinations
6 by the Secretary of proportionate shares for farms in Hawaii
7 and the Virgin Islands in effect on January 1, 1965, shall
8 continue in effect until amended or superseded. In deter-
9 mining the proportionate shares with respect to a farm, the
10 Secretary may take into consideration the past production
11 on the farm of sugarbeets and sugarcane marketed (or proc-
12 essed) for the extraction of sugar or liquid sugar (within
13 proportionate shares when in effect) and the ability to pro-
14 duce such sugarbeets and sugarcane.”

15 (2) The first sentence of paragraph (3) of subsection
16 (b) is amended to read as follows:

17 “(3) In order to make available acreage for growth and
18 expansion of the beet sugar industry, the Secretary in addi-
19 tion to protecting the interest of new and small producers by
20 regulations generally similar to those heretofore promulgated
21 by him pursuant to this Act, shall reserve each year from
22 1962 through 1966, inclusive, from the national sugarbeet
23 acreage requirement established by him, the acreage required
24 to yield sixty-five thousand short tons, raw value, of sugar.”

25 (3) Paragraph (3) of subsection (b) is amended by

1 inserting “(A)” after the figure (3) and by adding at
2 the end of paragraph (3) the following subparagraph (B) :

3 “(B) In order to make available acreage for the growth
4 and expansion of the mainland cane industry by a new
5 sugarcane processing facility, the Secretary is authorized to
6 reserve each crop year for three consecutive crop years an
7 amount of acreage estimated to yield twenty-five thousand
8 short tons of sugar, raw value, from the acreage which would
9 be allocated to sugarcane producers in the mainland cane
10 sugar area for each of three consecutive crop years beginning
11 not earlier than the year immediately following the first cal-
12 endar year after 1965 for which the Secretary’s determination
13 of requirements of consumers pursuant to section 201 exceeds
14 ten million four hundred thousand short tons, raw value: *Pro-*
15 *vided*, That the quantity allocated to the mainland cane
16 sugar area for such calendar year pursuant to section 202
17 (a) (2) (A) is not less than twenty-five thousand short tons
18 of sugar, raw value. The acreage so reserved for each of
19 the three consecutive crop years shall be distributed for each
20 such crop year on a fair and reasonable basis, when it can
21 be utilized, to farms without regard to any other acreage
22 allocation for establishing farm proportionate shares deter-
23 mined by him, on the condition that the sugarcane produced
24 on such farms shall be delivered for each of such three con-
25 secutive crop years to the new processing facility in the

1 locality to which reserve acreage is committed as hereafter
2 provided. The Secretary shall commit the reserve acreage
3 estimated by him to yield twenty-five thousand short tons
4 of sugar, raw value, for each of the three consecutive crop
5 years to the locality determined by him to receive the
6 reserve, and such commitment of reserve shall be irrevocable
7 upon issuance of the determination of such commitment
8 by publication in the Federal Register; except that if the
9 Secretary finds in any case that construction of the sugar-
10 cane processing facility has not proceeded in substantial
11 accordance with the representations made to him as a
12 basis for his determination of commitment of the reserve
13 acreage, he shall revoke such determination in accordance
14 with and upon publication in the Federal Register of such
15 findings. In any State in the continental United States
16 where there was no mill for commercially processing sugar-
17 cane into sugar in 1965, commitment of reserve acreage
18 shall be made to the locality where sugarcane will be
19 delivered from farms for the commercial recovery of sugar
20 by a sugarcane processing facility or mill which begins
21 operation for the first time. In determining commitment
22 of the reserve acreage and if proposals are made to con-
23 struct sugarcane processing facilities in two or more localities
24 where sugarcane production is scheduled to commence in
25 the same year or succeeding years, the Secretary shall base

1 his determination and selection upon the firmness of capital
2 commitment, suitability for growing sugarcane, the lack of
3 proximity of other mills, need for a cash crop or a replace-
4 ment crop, and accessibility to sugar markets, and the rela-
5 tive qualifications of localities under such criteria. The com-
6 mitment of reserve acreage shall be determined by the
7 Secretary after investigation, the publication of notice and
8 such informal public hearings, if any, as the Secretary deems
9 appropriate under the prevailing circumstances.”

10 (4) Paragraph (5) of subsection (b) is amended by
11 striking the words “In determining farm proportionate
12 shares” and inserting in lieu thereof the words “Whether
13 farm proportionate shares are or are not determined”.

14 (5) Subsection (b) is amended by adding new para-
15 graphs (8) and (9) as follows:

16 “(8) In order to protect the sugarbeet production his-
17 tory for farm operators (or farms) who in any crop year,
18 because of a crop-rotation program or for reasons beyond
19 their control, are unable to utilize all or a portion of the
20 farm proportionate share acreage established pursuant to
21 this section, the Secretary may reserve for a period of not
22 more than three crop years the production history for any
23 such farm operators (or farms) to the extent of the farm
24 proportionate share acreage released. The proportionate
25 share acreage so released may be reallocated to other farm

1 operators (or farms), but no production history shall accrue
2 to such other farm operators (or farms) by virtue of such
3 reallocation of the proportionate share acreage so released.

4 “(9) The Secretary is authorized to reserve from the
5 national sugarbeet acreage requirements for the 1966, 1967,
6 and 1968 crops of sugarbeets a total acreage estimated to
7 yield not more than twenty-five thousand short tons, raw
8 value, for each such crop to provide any nonaffiliated single
9 plant processor of sugarbeets with an estimated quantity of
10 sugar for marketing of not to exceed twenty-five thousand
11 short tons of sugar, raw value. The Secretary is also author-
12 ized to reserve from the acreage which would otherwise be
13 allocated to sugarcane producers in the mainland cane sugar
14 area for the 1965 and 1966 crops of sugarcane a total acre-
15 age estimated to yield not more than twenty-five thousand
16 short tons of sugar, raw value, for each such crop to relieve
17 hardship on the part of producers who planted sugarcane
18 for the first time for harvest in the crop years 1964 and
19 1965 and in allocating such acreage the Secretary shall
20 give consideration to the amount by which the acreage of
21 sugarcane in 1965 exceeds the proportionate share for the
22 1965 crop: with first consideration in allocating such acre-
23 age to farms on which the 1965 crop proportionate share
24 has been overplanted by more than 200 per centum in an
25 amount sufficient to bring the proportionate shares of such

1 farms up to the acreage growing: *Provided*, That acreage
2 allocated hereunder for the 1965 crop shall be in addition
3 to the total acreage heretofore allocated in such area for the
4 1965 crop. The Secretary shall allocate the acreage pro-
5 vided for in this paragraph to farms on such basis as he
6 determines necessary to accomplish the purposes for which
7 such acreages are provided under this paragraph.”

8 SEC. 11. (1) Subsection (b) of section 402 of such
9 Act is amended by adding the following sentence thereto:
10 “The Secretary is authorized to use the services, facilities,
11 and authorities of Commodity Credit Corporation for the
12 purpose of making disbursements to persons eligible to re-
13 ceive payments under title III of this Act: *Provided*, That
14 no such disbursements shall be made by Commodity Credit
15 Corporation unless it has received funds to cover the amounts
16 thereof from appropriations available for the purpose of
17 carrying out such program.”

18 (2) Subsection (a) of section 408 of such Act is
19 amended by adding the following at the end thereof:
20 “During any period that the operation of the provisions
21 of title II is so suspended by the President, the Secretary
22 shall estimate for each year the amount of sugar needed to
23 meet requirements of consumers in the United States and
24 the amount the quota for each country would be if cal-
25 culated on the basis as provided in section 202 of this Act.

1 Notice of such estimate and quota calculation shall be pub-
2 lished in the Federal Register. If any country fails to im-
3 port into the continental United States within the quota
4 year, an amount of sugar equal to the amount the quota
5 would be as calculated for such country by the Secretary
6 for such year, the quota established for such country in
7 subsequent years under the provisions of title II shall be
8 reduced as provided in section 202 (d) (4) of this Act:
9 *Provided*, That quotas for subsequent years shall not be
10 reduced when quotas are suspended under this subsection
11 and reestablished in the same calendar year.”

12 (3) Subsection (b) of section 408 of such Act is
13 amended by striking out the last sentence thereof and sub-
14 stituting in lieu thereof the following: “Any quantity so
15 suspended shall be allocated in the same manner as deficits
16 are allocated under the provisions of section 204 of this
17 Act.”

18 (4) Subsection (c) of section 408 of such Act is
19 amended to read as follows:

20 “(c) In any case in which a nation or a political sub-
21 division thereof has hereafter (1) nationalized, expropriated,
22 or otherwise seized the ownership or control of the property
23 or business enterprise owned or controlled by United States
24 citizens or any corporation, partnership or association not
25 less than 50 per centum beneficially owned by United States

1 citizens or (2) imposed upon or enforced against such prop-
2 erty or business enterprise so owned or controlled, dis-
3 criminatory taxes or other exactions, or restrictive mainte-
4 nance or operational conditions not imposed or enforced
5 with respect to the property or business enterprise of a like
6 nature owned or operated by its own nationals or the nationals
7 of any government other than the Government of the United
8 States or (3) imposed upon or enforced against such prop-
9 erty or business enterprise so owned or controlled, discrimina-
10 tory taxes or other exactions, or restrictive maintenance or
11 operational conditions, or has taken other actions, which have
12 the effect of nationalizing, expropriating or otherwise seizing
13 ownership or control of such property or business enterprise
14 or (4) violated the provisions of any bilateral or multi-
15 lateral international agreement to which the United States
16 is a party, designed to protect such property or business en-
17 terprise so owned or controlled, and has failed within six
18 months following the taking of action in any of the above
19 categories to take appropriate and adequate steps to remedy
20 such situation and to discharge its obligations under inter-
21 national law toward such citizen or entity, including the
22 prompt payment to the owner or owners of such property or
23 business enterprise so nationalized, expropriated or other-
24 wise seized or to provide relief from such taxes, exactions,
25 conditions or breaches of such international agreements, as

1 the case may be, or to arrange, with the agreement of the
2 parties concerned, for submitting the question in dispute
3 to arbitration or conciliation in accordance with procedures
4 under which final and binding decision or settlement will be
5 reached and full payment or arrangements with the owners
6 for such payment made within twelve months following
7 such submission, the President shall suspend any quota, pro-
8 ration of quota, or authorization to import sugar under this
9 Act of such nation until he is satisfied that appropriate steps
10 are being taken. Any quantity so suspended shall be allo-
11 cated in the same manner as deficits are allocated under sec-
12 tion 204 of this Act.”

13 (5) Section 412 of such Act (relating to termination of
14 the powers of the Secretary under the Act) is amended by
15 striking out “1966” in each place it appears therein and
16 inserting in lieu thereof “1971”.

17 SEC. 12. Section 4501 (b) (relating to termination of
18 taxes on sugar) of the Internal Revenue Code of 1954 is
19 amended by striking out “1967” in each place it appears
20 therein and inserting in lieu thereof “1972”.

21 SEC. 13. Except as hereinafter provided, the provisions
22 of this Act shall become effective January 1, 1965. The
23 amendments made by section 4 of this Act shall become
24 effective January 1, 1966.

89TH CONGRESS
1ST Session

H. R. 11135

[Report No. 1046]

A BILL

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

By Mr. COOLEY

SEPTEMBER 17, 1965

Referred to the Committee on Agriculture

SEPTEMBER 21, 1965

Reported with amendments, committed to the Com-
mittee of the Whole House on the State of the
Union, and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
TO BE QUOTED OR CITED)

Issued Sept. 29, 1965
For actions of Sept. 28, 1965
89th-1st; No. 179

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HIGHLIGHTS: House passed measure continuing appropriations through Oct. 15. House Rules Committee cleared sugar bill. Both Houses agreed to technical amendments to Aiken-Poage water-loans bill.

HOUSE

1. APPROPRIATIONS. Passed without amendment H. J. Res. 673, making continuing appropriations for the fiscal year 1966, through October 15, 1965. pp. 24427-32
Conferees were appointed on H. R. 10871, the foreign-aid appropriation bill.
p. 24426
3. WATER; LOANS. Both Houses agreed to technical amendments to S. 1766, the Aiken-Poage water-loans bill. This bill will now be sent to the President. pp. 24322, 24432
4. SUGAR. The Rules Committee "granted a closed rule, waiving points of order, with 4 hours of debate, and making it in order to be offered two amendments, H. R. 11135, the sugar bill." p. D971
5. EXTENSION WORK. Rep. Dorn commended the work of 4-H clubs. pp. 24479-80

6. CANADA. Rep. Tupper inserted a report on a Republican study of economic relations with Canada. pp. 24480-6
7. LEGISLATIVE PROCESS. Rep. Rhodes, Ariz., stated that Chairman Macy of the Civil Service Commission had engaged in improper "arm-twisting" through influencing legislation. p. 24486
8. POVERTY. Rep. Gibbons inserted a magazine article describing the poverty problem. pp. 24493-4
9. RESEARCH. Rep. Pepper spoke favoring humane treatment of research animals and inserted a resolution of the Florida Federation of Humane Societies. p. 24495

SENATE

10. EDUCATION. The Labor and Public Welfare Committee reported with amendments H. R. 9022, to amend the law authorizing aid to education in Federally impacted areas so as to permit assistance in cases of major disaster, continue assistance in spite of announcements of base closings, and delete a requirement that the large school systems must have a higher percentage of children of Federal employees in order to be eligible for assistance (S. Rept. 783). p. 24322
Passed as reported H. R. 7743, to establish a system of loan insurance and a supplementary system of direct loans, to assist students to attend post-secondary business, trade, technical, and other vocational schools. pp. 24384-94
Sen. Morse inserted a summary prepared by the U.S. Office of Education on grant programs for fiscal 1966. pp. 2367-72
The Labor and Public Welfare Committee voted to report (but did not actually report) H. R. 8310, the proposed Vocational Rehabilitation Act Amendments of 1965. p. D969
11. PERSONNEL; RETIREMENT. The Post Office and Civil Service Committee reported an original bill, S. 2572, "extending retirement benefits for Federal employees whose annuities commence after December 1, but not later than December 31, 1966 (S. Rept. 790)." pp. 24322, D968
The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 6165, to repeal 5 U.S.C. 33, which gives department heads discretion as to whether to appoint women. p. D970
12. WILD RIVERS. The Interior and Insular Affairs Committee reported with an amendment in the nature of a substitute bill S. 1446, to reserve certain public lands for a National Wild Rivers System, and to provide a procedure for adding additional public lands and other lands to the System (S. Rept. 792). pp. 24322-23
13. HEMISFAIR. Passed, after adopting an amendment to reduce authorized appropriations from \$250,000 to \$125,000, H. R. 9247, to provide for U. S. participation in the HemisFair 1968 Exposition in San Antonio, Tex. A similar bill, S. 2167 was indefinitely postponed. pp. 24372-73, 24377-83
14. CONTRACTS; LABOR STANDARDS. The Labor and Public Welfare Committee voted to report (but did not actually report) H.R. 10238, to provide labor standards for certain persons employed by Federal contractors to furnish services to Federal agencies. p. D969

S. 2567

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 28, 1965

Mr. LONG of Louisiana (for himself, Mr. ALLOTT, Mr. BENNETT, Mr. BREWSTER, Mr. CARLSON, Mr. ELLENDER, Mr. FONG, Mr. HOLLAND, Mr. MAGNUSON, Mr. MONDALE, Mr. SIMPSON, Mr. SMATHERS, and Mr. YOUNG of North Dakota) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 (1) Paragraphs (1) and (2) (A) of subsection (a)
4 are amended to read as follows:

5 “(a) (1) For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar-----	3,025,000
Mainland cane sugar-----	1,100,000
Hawaii-----	1,110,000
Puerto Rico-----	1,140,000
Virgin Islands-----	15,000
Total-----	6,390,000

8 “(2) (A) To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 amount equal to 65 per centum of the amount by which the
11 Secretary's determination of requirements of consumers in
12 the continental United States pursuant to section 201 for
13 the calendar year exceeds ten million four hundred thou-
14 sand short tons, raw value, or is less than nine million seven
15 hundred thousand short tons, raw value. Such amount shall
16 be apportioned between the domestic beet sugar area and
17 the mainland cane sugar area on the basis of the quotas for
18 such areas established under paragraph (1) of this subsec-

1 tion and the amounts so apportioned shall be added to, or
2 deducted from the quotas for such areas.”

3 (2) Subsection (b) is amended to read as follows:

4 “(b) For the Republic of the Philippines, in the amount
5 of one million and fifty thousand short tons, raw value, plus
6 10.86 per centum of the amount, not exceeding seven hun-
7 dred thousand short tons, raw value, by which the Secre-
8 tary’s determination of requirements of consumers in the
9 continental United States pursuant to section 201 for the
10 calendar year exceed nine million seven hundred thousand
11 short tons, raw value.”

12 (3) Subsection (c) is amended to read as follows:

13 “(c) (1) For foreign countries other than the Republic
14 of the Philippines, an amount of sugar, raw value, equal
15 to the amount determined pursuant to section 201 less the
16 sum of the quotas established pursuant to subsections (a)
17 and (b) of this section.

18 “(2) For individual foreign countries other than the
19 Republic of the Philippines, by prorating the amount of
20 sugar determined under paragraph (1) of this subsection
21 among foreign countries on the following basis:

1 “(A) For countries in the Western Hemisphere—

Country	Per centum
Cuba.....	57.77
Mexico.....	7.29
Dominican Republic.....	7.21
Peru.....	4.50
Brazil.....	4.14
British West Indies.....	2.28
Argentina.....	1.19
Ecuador.....	.93
Nicaragua.....	.76
Guatemala.....	.66
Costa Rica.....	.65
Colombia.....	.52
Haiti.....	.35
El Salvador.....	.32
Panama.....	.27
British Honduras.....	.08
Venezuela.....	.05

2 “(B) For countries outside the Western Hemi-
3 sphere—

Country	Per centum
Australia.....	3.49
India.....	1.81
South Africa.....	1.81
China, Republic of.....	1.26
France, the French West Indies and Reunion.....	.95
Fiji Islands.....	.85
Mauritius.....	.28
Southern Rhodesia.....	.17
Swaziland.....	.17
Malagasy Republic.....	.14
Ireland.....	.04
Belgium.....	.03
Turkey.....	.03

4 *Provided*, That in no event shall the quotas established
5 under this subsection for Australia, South Africa,

1 France, the French West Indies and Reunion, and
 2 Belgium exceed the following:

Country	Short tons, raw value
Australia-----	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa-----	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium-----	788"

3 (4) Subsections (d), (e), and (f) are hereby amended
 4 to read as follows:

5 “(d) Notwithstanding any other provision of this Act—

6 “(1) (A) During the current period of suspension
 7 of diplomatic relations between the United States and
 8 Cuba, the quota provided for such country under
 9 subsection (c) shall be withheld and a quantity of sugar
 10 equal to such quota shall be prorated to other foreign
 11 countries named in paragraph (2) of subsection (c)
 12 on the basis of the percentages stated therein: *Provided*,
 13 That in no event shall the quota established under this
 14 subsection for Australia, South Africa, France, the

1 French West Indies and Reunion, and Belgium exceed
 2 the following:

Country	Short tons, raw value
Australia-----	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

3 “(B) Whenever and to the extent that the Presi-
 4 dent finds that the establishment or continuation of a
 5 quota or any part thereof for any foreign country, or the
 6 importation of any sugar from any foreign country
 7 under paragraph (2) (A) of this subsection, would be
 8 contrary to the national interest of the United States,
 9 such quota or part thereof shall be withheld or sus-
 10 pended, and such importation shall not be permitted.
 11 A quantity of sugar equal to the amount of any quota
 12 so withheld or suspended shall be prorated to the other
 13 countries listed in subsection (c) (2) (A) on the basis
 14 of the quotas then in effect for such countries.

1 “(C) The quantities of sugar prorated pursuant to
2 the foregoing provisions of this subsection shall be desig-
3 nated as temporary quotas and the term ‘quota’ as
4 defined in this Act shall include a temporary quota
5 established under this subsection.

6 “(2) (A) Whenever the Secretary finds that it is
7 not practicable to obtain the quantity of sugar needed
8 from foreign countries to meet any increase during the
9 year in the requirements of consumers under section 201
10 by apportionment to countries pursuant to subsections
11 (b) and (c) and the foregoing provisions of this sub-
12 section, such quantity of sugar may be imported on a
13 first-come, first-served basis from any foreign country,
14 except that no sugar shall be authorized for importation
15 from Cuba until the United States resumes diplomatic
16 relations with that country and no sugar shall be author-
17 ized for importation hereunder from any foreign country
18 with respect to which a finding by the President is in
19 effect under subsection (d) (1) (B) : *Provided*, That
20 such finding shall not be made in the first nine months
21 of the year unless the Secretary also finds that limited
22 sugar supplies and increases in prices have created¹ or
23 may create an emergency situation significantly inter-
24 fering with the orderly movement of foreign raw sugar

1 to the United States. In the event that the requirements
2 of consumers under section 201 are thereafter reduced
3 in the same calendar year, an amount not exceeding
4 such increase in requirements shall be deducted pro rata
5 from the quotas established pursuant to subsection (c)
6 and this subsection.

7 “(B) Sugar imported under the authority of this
8 paragraph (2) shall be raw sugar, except that if the
9 Secretary determines that the total quantity is not rea-
10 sonably available as raw sugar, he may authorize the
11 importation for direct consumption of so much of such
12 quantity as he determines may be required to meet the
13 requirements of consumers in the United States.

14 “(3) No quota shall be established for any country
15 other than Ireland for any of the years following a period
16 of twenty-four months, ending June 30 prior to the es-
17 tablishment of quotas for such year, in which its aggre-
18 gate imports of sugar equaled or exceeded its aggregate
19 exports of sugar from such country to countries other
20 than the United States.

21 “(4) Whenever in any calendar year any foreign
22 country fails, subject to such reasonable tolerance as the
23 Secretary may determine, to fill the quota as established
24 for it pursuant to this Act, the quota for such country
25 for subsequent calendar years shall be reduced by the

1 smaller of (i) the amount by which such country failed
2 to fill such quota or (ii) the amount by which its ex-
3 ports of sugar to the United States in the year such
4 quota was not filled was less than 115 per centum of
5 such quota for the preceding calendar year: *Provided*,
6 That (i) no such reduction shall be made if the country
7 has notified the Secretary before August 1 of such year
8 (or, with respect to events occurring thereafter, as soon
9 as practicable after such events), of the likelihood of
10 such failure and the Secretary finds that such failure
11 was due to crop disaster or other force majeure, unless
12 such country exported sugar in such year to a country
13 other than the United States, in which case the reduc-
14 tion in quota for the subsequent years shall be limited
15 to the amount of such exports, as determined by the
16 Secretary, and (ii) in no event shall the quota for the
17 Republic of the Philippines be reduced to an amount less
18 than nine hundred and eighty thousand short tons, raw
19 value, of sugar.

20 “(5) Any reduction in a quota because of the re-
21 quirements of paragraphs (3) and (4) of this sub-
22 section shall be prorated to other foreign countries in
23 the same manner as deficits are prorated under section
24 204 of this Act. For purposes of determining unfilled

1 portions of quotas, entries of sugar from a foreign coun-
2 try shall be prorated between the temporary quota estab-
3 lished pursuant to paragraph (1) of this subsection and
4 the quota established pursuant to subsection (c).

5 “(e) Whenever the President finds that it is no longer
6 contrary to the national interest of the United States to
7 reestablish a quota or part thereof withheld or suspended
8 under subsection (d) (1) of this section, and, in the case of
9 Cuba, diplomatic relations have been resumed by the United
10 States, such quota shall be restored in the manner the Presi-
11 dent finds appropriate: *Provided*, That the entire amount
12 of such quota shall be restored for the third full calendar
13 year following such finding by the President. The tem-
14 porary quotas established pursuant to subsection (d) (1)
15 shall, notwithstanding any other provision of this section,
16 be reduced pro rata to the extent necessary to restore the
17 quota in accordance with the provisions of this subsection.

18 “(f) Whenever any quota is required to be reduced
19 pursuant to subsection (e) or because of a reduction in
20 the requirements of consumers under section 201 of this
21 Act, and the amount of sugar imported from any country
22 or marketed from any area at the time of such reduction
23 exceeds the reduced quota, the amount of such excess shall,
24 notwithstanding any other provision of this section, be de-

1 ducted from the quota established for such country or
2 domestic area for the next succeeding calendar year.

3 “(g) The Secretary is authorized to limit, through the
4 use of limitations applied on a quarterly basis only, the im-
5 portation of sugar within the quota for any foreign country
6 during the first and second quarters of any calendar year
7 whenever he determines that such limitation is necessary to
8 achieve the objectives of the Act: *Provided*, That this sub-
9 section shall not operate to reduce the quantity of sugar per-
10 mitted to be imported for any calendar year from any coun-
11 try below its quota, including deficits allocated to it, for that
12 year.

13 “(h) The quota established for any foreign country
14 and the quantity authorized to be imported from any country
15 under subsection (d) (2) of this section may be filled only
16 with sugar produced from sugarbeets or sugarcane grown
17 in such country.”

18 SEC. 4. Section 204 of the Sugar Act of 1948, as
19 amended, is amended to read as follows:

20 “SEC. 204. (a) The Secretary shall from time to time
21 determine whether, in view of the current inventories of
22 sugar, the estimated production from the acreage of sugar-
23 cane or sugarbeets planted, the normal marketings within a
24 calendar year of new-crop sugar, and other pertinent factors,

1 any area or country will be unable to market the quota for
2 such area or country. If the Secretary determines that any
3 domestic area or foreign country will be unable to market
4 the quota for such area or country, he shall revise the quota
5 for the Republic of the Philippines by allocating to it an
6 amount of sugar equal to 47.22 per centum of the deficit,
7 and shall allocate an amount of sugar equal to the remainder
8 of the deficit to the countries listed in section 202 (c) (2)
9 (A) on the basis of the quotas then in effect for such coun-
10 tries: *Provided*, That if any quota is restored to Cuba, the
11 maximum per centum of 47.22 of the deficit to be allocated
12 to the Republic of the Philippines shall be reduced to a per
13 centum equal to that which the Philippine quota under sub-
14 section (b) of section 202 bears to the sum of such Philip-
15 pine quota and the quotas then in effect for all foreign coun-
16 tries pursuant to subsection (c) of section 202. If the Sec-
17 retary determines the Republic of the Philippines will be un-
18 able to fill its share of any deficit determined under this sub-
19 section, he shall allocate such unfilled amount to the coun-
20 tries listed in section 202 (c) (2) (A) on the basis of the
21 quotas then in effect for such countries. If the Secretary
22 determines that neither the Republic of the Philippines nor
23 the countries listed in section 202 (c) (2) (A) can fill all of
24 any such deficit, he shall apportion such unfilled amount on
25 such basis and to such foreign countries as he determines is

1 required to fill such deficit. Any reallocation of deficits pur-
2 suant to this subsection shall be subject to the import restric-
3 tions of subsection (d) (1) of section 202. The Secretary
4 shall insofar as practicable determine and allocate deficits
5 so as to assure the availability of the sugar for importation
6 during the calendar year. In any event, any deficit, so far
7 as then known, shall be determined and allocated by August
8 1 of the calendar year. Notwithstanding the foregoing
9 provisions of this subsection, if the President determines that
10 such action would be in the national interest, any part of a
11 deficit which would otherwise be allocated to countries listed
12 in section 202 (c) (2) (A) may be allocated to one or more
13 of such countries with a quota in effect on such basis as the
14 President finds appropriate.

15 “(b) The quota established for any domestic area or
16 any foreign country under section 202 shall not be reduced
17 by reason of any determination of a deficit existing in any
18 calendar year under subsection (a) of this section: *Provided*,
19 That the quota for any foreign country shall be reduced to
20 the extent that it has notified the Secretary that it cannot
21 fill its quota and the Secretary has found under section 202
22 (d) (4) that such failure was due to crop disaster or other
23 force majeure.”

24 SEC. 5. Section 205 of the Sugar Act of 1948, as

1 amended, is amended by adding at the end of subsection (a)
2 the following sentence: "If allotments are in effect at the
3 time of a reduction in a domestic area quota for any year,
4 the amount marketed by a person in excess of the amount
5 of his allotment as reduced in conformity with the reduction
6 in the quota shall not be taken into consideration in estab-
7 lishing an allotment in the next succeeding year for such
8 person, and any allotment established for such person for
9 the next succeeding year shall be reduced by such excess
10 amount."

11 SEC. 6. Section 206 of the Sugar Act of 1948, as
12 amended, is amended to read as follows:

13 "SEC. 206. (a) If the Secretary determines that the
14 prospective importation or bringing into the continental
15 United States, Hawaii, or Puerto Rico of any sugar-contain-
16 ing product or mixture will substantially interfere with the
17 attainment of the objectives of this Act, he may limit the
18 quantity of such product or mixture to be imported or
19 brought in from any country or area to a quantity which
20 he determines will not so interfere: *Provided*, That the
21 quantity to be imported or brought in from any country or
22 area in any calendar year shall not be reduced below the
23 average of the quantities of such product or mixture annually
24 imported or brought in during the most recent three con-

1 secutive years for which reliable data of the importation or
2 bringing in of such product or mixture are available.

3 “(b) In the event the Secretary determines that the
4 prospective importation or bringing into the continental
5 United States, Hawaii, or Puerto Rico, of any sugar-
6 containing product or mixture will substantially interfere
7 with the attainment of the objectives of this Act and there
8 are no reliable data available of such importation or bring-
9 ing in of such product or mixture for three consecutive years,
10 he may limit the quantity of such product to be imported
11 or brought in annually from any country or area to a quan-
12 tity which the Secretary determines will not substantially
13 interfere with the attainment of the objectives of the Act,
14 provided that such quantity from any one country or area
15 shall not be less than a quantity containing one hundred
16 short tons, raw value of sugar or liquid sugar.

17 “(c) In determining whether the actual or prospective
18 importation or bringing into the continental United States,
19 Hawaii, or Puerto Rico of a quantity of a sugar-containing
20 product or mixture will or will not substantially interfere
21 with the attainment of the objectives of this Act, the Secre-
22 tary shall take into consideration the total sugar content of
23 the product or mixture in relation to other ingredients or to
24 the sugar content of other products or mixtures for similar

1 use, the costs of the mixture in relation to the costs of its
2 ingredients for use in the continental United States, Hawaii,
3 or Puerto Rico, the present or prospective volume of im-
4 portations relative to past importations, the type of packag-
5 ing, whether it will be marketed to the ultimate consumer in
6 the identical form in which it is imported or the extent to
7 which it is to be further subjected to processing or mixing
8 with similar or other ingredients, and other pertinent infor-
9 mation which will assist him in making such determination.
10 In making determinations pursuant to this section, the Sec-
11 retary shall conform to the rulemaking requirements of sec-
12 tion 4 of the Administrative Procedure Act.”

13 SEC. 7. Subsections (d) and (e) of section 207 of the
14 Sugar Act of 1948, as amended, are amended as follows:

15 “(d) Not more than fifty-nine thousand nine hundred
16 and twenty short tons, raw value, of the quota for the Re-
17 public of the Philippines may be filled by direct-consumption
18 sugar.

19 “(e) None of the quota established for any foreign
20 country other than the Republic of the Philippines and none
21 of the deficit prorations and apportionments for any foreign
22 country established under or in accordance with section
23 204 (a) may be filled by direct-consumption sugar: *Pro-*
24 *vided*, That the quotas for Ireland, Belgium, and Panama
25 may be filled by direct-consumption sugar to the extent of

1 two thousand three hundred and eleven short tons, raw
2 value, for Ireland; one hundred and eighty-two short tons,
3 raw value, for Belgium; and three thousand eight hundred
4 and seventeen short tons, raw value, for Panama.”

5 SEC. 8. Section 209 of the Sugar Act of 1948, as
6 amended, is amended by striking from subsection (e) thereof
7 the words “any sugar or liquid sugar” and inserting in lieu
8 thereof the following: “any sugar or liquid sugar in excess
9 of one hundred pounds in any calendar year”.

10 SEC. 9. Section 213 of the Sugar Act of 1948, as
11 amended, is repealed.

12 SEC. 10. Section 302 of the Sugar Act of 1948, as
13 amended, is amended as follows:

14 (1) Paragraph (1) of subsection (b) is amended to
15 read as follows:

16 “(b) (1) The Secretary shall determine for each crop
17 year whether the production of sugar from any crop of sugar-
18 beets or sugarcane will, in the absence of proportionate
19 shares, be greater than the quantity needed to enable the
20 area to meet its quota and provide a normal carryover in-
21 ventory, as estimated by the Secretary for such area for the
22 calendar year during which the larger part of the sugar
23 from such crop normally would be marketed. Such deter-
24 mination shall be made only with respect to the succeeding

1 crop year and only after due notice and opportunity for an
2 informal public hearing. If the Secretary determines that the
3 production of sugar from any crop of sugarbeets or sugar-
4 cane will be in excess of the quantity needed to enable the
5 area to meet its quota and provide a normal carryover inven-
6 tory, he shall establish proportionate shares for farms in such
7 areas as provided in this subsection, except that the deter-
8 minations by the Secretary of proportionate shares for farms
9 in Hawaii and the Virgin Islands in effect on January 1,
10 1965, shall continue in effect until amended or superseded.
11 In determining the proportionate shares with respect to a
12 farm, the Secretary may take into consideration the past pro-
13 duction on the farm of sugarbeets and sugarcane marketed
14 (or processed) for the extraction of sugar or liquid sugar
15 (within proportionate shares when in effect) and the ability
16 to produce such sugarbeets and sugarcane."

17 (2) The first sentence of paragraph (3) of subsection
18 (b) is amended to read as follows:

19 "(3) In order to make available acreage for growth and
20 expansion of the beet sugar industry, the Secretary in addi-
21 tion to protecting the interest of new and small producers by
22 regulations generally similar to those heretofore promulgated
23 by him pursuant to this Act, shall reserve each year from
24 1962 through 1966, inclusive, from the national sugarbeet

1 acreage requirement established by him, the acreage required
2 to yield sixty-five thousand short tons, raw value, of sugar.”

3 (3) Paragraph (5) of subsection (b) is amended by
4 striking the words “In determining farm proportionate
5 shares” and inserting in lieu thereof the words “Whether
6 farm proportionate shares are or are not determined”.

7 (4) Subsection (b) is amended by adding a new para-
8 graph (8) as follows:

9 “(8) In order to protect the sugarbeet production his-
10 tory for farm operators (or farms) who in any crop year,
11 because of a crop-rotation program or for reasons beyond
12 their control, are unable to utilize all or a portion of the
13 farm proportionate share acreage established pursuant to
14 this section, the Secretary may reserve for a period of not
15 more than three crop years the production history for any
16 such farm operators (or farms) to the extent of the farm
17 proportionate share acreage released. The proportionate
18 share acreage so released may be reallocated to other farm
19 operators (or farms), but no production history shall accrue
20 to such other farm operators (or farms) by virtue of such
21 reallocation of the proportionate share acreage so released.”

22 SEC. 11. Title IV of the Sugar Act of 1948, as amended,
23 is amended as follows:

24 (1) Subsection (b) of section 402 of such Act is

1 amended by adding the following sentence thereto: "The
2 Secretary is authorized to use the services, facilities, and
3 authorities of Commodity Credit Corporation for the purpose
4 of making disbursements to persons eligible to receive pay-
5 ments under title III of this Act: *Provided*, That no such
6 disbursements shall be made by Commodity Credit Corpo-
7 ration unless it has received funds to cover the amounts
8 thereof from appropriations available for the purpose of
9 carrying out such program."

10 (2) Subsection (a) of section 408 of such Act is
11 amended by adding the following at the end thereof:
12 "During any period that the operation of the provisions
13 of title II is so suspended by the President, the Secretary
14 shall estimate for each year the amount of sugar needed to
15 meet requirements of consumers in the United States and
16 the amount the quota for each country would be if cal-
17 culated on the basis as provided in section 202 of this Act.
18 Notice of such estimate and quota calculation shall be pub-
19 lished in the Federal Register. If any country fails to im-
20 port into the continental United States within the quota
21 year, an amount of sugar equal to the amount the quota
22 would be as calculated for such country by the Secretary
23 for such year, the quota established for such country in
24 subsequent years under the provisions of title II shall be

1 reduced as provided in section 202 (d) (4) of this Act:
2 *Provided*, That quotas for subsequent years shall not be
3 reduced when quotas are suspended under this subsection
4 and reimposed in the same calendar year.”

5 (3) Subsection (b) of section 408 of such Act is
6 amended by striking out the last sentence thereof and substi-
7 tuting in lieu thereof the following: “Any quantity so sus-
8 pended shall be allocated in the same manner as deficits are
9 allocated under the provisions of section 204 of this Act.”

10 (4) Subsection (c) of section 408 of such Act is
11 repealed.

12 (5) Section 412 of such Act (relating to termination of
13 the powers of the Secretary under the Act) is amended by
14 striking out “1966” in each place it appears therein and
15 inserting in lieu thereof “1971”.

16 SEC. 12. Section 4501 (b) (relating to termination of
17 taxes on sugar) of the Internal Revenue Code of 1954 is
18 amended by striking out “1967” in each place it appears
19 therein and inserting in lieu thereof “1972”.

20 SEC. 13. The provisions of this Act shall become effec-
21 tive January 1, 1965.

A BILL

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

By Mr. Long of Louisiana, Mr. Allott, Mr.
Bennett, Mr. Brewster, Mr. Carlson, Mr.
Ellender, Mr. Fong, Mr. Holland, Mr.
Magnuson, Mr. Mondale, Mr. Simpson,
Mr. Smathers, and Mr. Young of North
Dakota

SEPTEMBER 28, 1965

Read twice and referred to the Committee on Finance

Prior to the executive session the subcommittee held an open hearing and heard testimony from Mr. Peterson; Mr. Dresser, Mr. Peterson's attorney; and Mr. Redfern, Mr. Gross' attorney.

ALCOHOLISM COMMISSION

Committee on Interstate and Foreign Commerce: Held a hearing on H.R. 781, and related bills, to establish a Federal Commission on Alcoholism. Testimony was heard from Representatives Hagan of Georgia, Corman, Matsunaga, and public witnesses.

ARMED FORCES MAILING PRIVILEGES

Committee on Post Office and Civil Service: Subcommittee on Postal Rates met in executive session and approved for full committee action H.R. 11095 (amended), to provide certain mailing privileges to the Armed Forces.

ALASKA STATEWIDE EXPOSITION

Committee on Public Works: Met in executive session and ordered reported favorably to the House H.R. 9963 (amended), to promote the economic development of the State of Alaska by providing for U.S. participation in the Statewide exposition to be held in Alaska during 1967.

SUGAR BILL

Committee on Rules: Granted a closed rule, waiving points of order, with 4 hours of debate, and making it in order to be offered two amendments, H.R. 11135, the sugar bill. Testimony was heard from Representatives Cooley, Dague, Teague, Dole, Resnick, Findley, and Willis.

GREEK LOAN

Committee on Ways and Means: Met in executive session and ordered reported favorably to the House S. 1760 (amended), the Greek loan of 1929 Settlement Act.

H.R. 11297, a clean bill, was introduced for informational purposes in lieu of H.R. 5916, to amend the Internal Revenue Code of 1954 to remove tax barriers to foreign investment in the U.S., and to make certain technical amendments.

Joint Committee Meetings

FARM BILL

Conferees continued in executive session to resolve the differences between the Senate- and House-passed versions of H.R. 9811, proposed Food and Agriculture Act of 1965, but did not reach final agreement, and will meet again tomorrow.

BILLS SIGNED BY THE PRESIDENT

New Laws

(For last listing of public laws see DIGEST p. D960, September 23, 1965)

H.R. 7779, to provide for the retirement of enlisted members of the Coast Guard Reserve. Signed September 25, 1965 (P.L. 89-200).

H.R. 8761, providing an increase in the retired pay of certain members of the former Lighthouse Service. Signed September 25, 1965 (P.L. 89-201).

H.R. 10323, fiscal 1966 appropriations for military construction. Signed September 25, 1965 (P.L. 89-202).

S.J. Res. 5, designating the bridge crossing the Washington Channel as the Francis Case Memorial Bridge. Signed September 25, 1965 (P.L. 89-203).

H.R. 6431, permitting duty-free importation of certain forms of nickel. Signed September 27, 1965 (P.L. 89-204).

H.R. 8469, providing cost-of-living increases in annuities payable from the civil service retirement and disability fund. Signed September 27, 1965 (P.L. 89-205).

COMMITTEE MEETINGS FOR WEDNESDAY, SEPTEMBER 29

(All meetings are open unless otherwise designated)

Senate

Committee on Appropriations, executive, on H.J. Res. 673, continuing appropriations for fiscal year 1966 through October 15, 1965, 10:30 a.m., room S-128, Capitol.

Committee on Interior and Insular Affairs, executive, to meet with officials of the National Park Service regarding concession contract at Bad Lands National Monument, S. Dak., 2 p.m., 3112 New Senate Office Building.

Committee on the Judiciary, Subcommittee on Refugees and Escapees, on problems of South Vietnamese refugees, 9:30 a.m., 1318 New Senate Office Building.

Committee on Labor and Public Welfare, executive, on the nomination of William H. Stewart, to be Surgeon General of the PHS, 10 a.m., 4232 New Senate Office Building.

House

Committee on Armed Services, Subcommittee on Real Estate, to continue hearings on Army Disposal Report 206A (Watertown, Mass., Arsenal), and other real estate projects, 10 a.m., 2212 Rayburn House Office Building.

Subcommittee on Tactical Air Support, executive, to continue consideration of close air support, 10 a.m., 2216 Rayburn House Office Building.

Committee on Education and Labor, Select Subcommittee on Labor, on H.R. 10634, to establish a National Commission on Older Workers, 10 a.m., 2261 Rayburn House Office Building.

Committee on Interstate and Foreign Commerce, on H.R. 781, and similar bills, to establish a Federal Commission on Alcoholism, 10 a.m., 2123 Rayburn House Office Building.

Next meeting of the SENATE
12:00 noon, Wednesday, September 29

Committee on the Judiciary, Subcommittee No. 5, to continue hearings on omnibus judgeship bills, 10 a.m., 2141 Rayburn House Office Building.

Subcommittee No. 2, executive, on pending business, 10 a.m., 2237 Rayburn House Office Building.

Committee on Merchant Marine and Fisheries, executive, to consider S. 2118, to amend sections 9 and 37 of the Shipping Act, 1916, and subsection O of the Ship Mortgage Act, 1920; and H.R. 9424, to provide for the conservation, protection, and propagation of native species of fish and wildlife, including migratory birds, that are threatened with extinction; to consolidate the authorities relating to the administration by the Secretary of the Interior of the National Wildlife Refuge System, 10 a.m., 1334 Longworth House Office Building.

Committee on Post Office and Civil Service, Subcommittee on Postal Rates, on H.R. 2837 and H.R. 2838, similar bills, to

Next meeting of the HOUSE OF REPRESENTATIVES
12:00 noon, Wednesday, September 29

extend the special fourth-class postage rates applicable to educational materials to training cards designed for use in, or in conjunction with, classroom instruction, 10 a.m., 215 Cannon House Office Building.

Committee on Rules, to continue hearings on S. 2084, the Highway Beautification Act of 1965, 10:30 a.m., Gallery Floor, U.S. Capitol Building.

Committee on Ways and Means, executive, on pending legislation, 10 a.m., committee room, Longworth House Office Building.

Joint Committees

Conferees, executive, on H.R. 9567, higher education bill, 11 a.m., room S-207, Capitol.

Conferees, executive, on H.R. 9811, proposed Food and Agriculture Act of 1965, 10 a.m., room EF-100, Capitol.



Congressional Record

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DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
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Issued Oct. 1, 1965
For actions of Sept. 30, 1965
89th-1st; No. 181

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HIGHLIGHTS: House passed Federal pay bill. House Rules Committee cleared sugar bill.

HOUSE

1. FEDERAL PAY BILL. Passed, 370-7, with amendments this bill, H. R. 10281 (pp. 24748-86). Voted, 238-140, in favor of a motion by Rep. Broyhill, N. C., to recommit the bill with instructions for agreement to an amendment to remove the provisions for a permanent system of maintaining proper relationships of certain Federal personnel and to establish a Federal Salary Review Commission (pp. 24784-5). Agreed to a Udall amendment to reduce the across-the-board salary increase from $4\frac{1}{2}\%$ to 4% (pp. 24772-7). Rejected a Derwinski to reduce the increase to 3% (pp. 24772-7).
2. SUGAR. The Rules Committee reported a resolution for consideration of H. R. 11135, the sugar bill. p. 24824
Rep. Findley claimed the sugar industry was in favor of import fees. pp. 24796-7

3. FOREIGN AID APPROPRIATION BILL. Received the conference report on this bill, H. R. 10871 (H. Rept. 1103). pp. 24738-9
4. INFLATION; EXPENDITURES. Rep. Saylor deplored "inflation" and said the solution was to reduce Government spending. p. 24796
5. FOREIGN TRADE. Rep. Harvey, Mich., inserted a statement by Under Secretary Barr, Treasury, on the balance of payments and the international monetary system. pp. 24803-5
The Ways and Means Committee reported without amendment H. R. 11216, "relating to the tariff treatment of articles assembled abroad of products of the United States" (H. Rept. 1104). p. 24824
6. RESEARCH. Rep. Pepper inserted his testimony favoring legislation to provide for humane treatment of laboratory animals. pp. 24817-8
7. WATERSHED. Received from the Budget Bureau a report on a plan for works of improvement of the Plain-Honey Creek watershed, Wis.; to Agriculture Committee. p. 24824
8. RETIREMENT. The Post Office and Civil Service Committee reported without amendment H. R. 11303, to provide that each retirement annuity commencing after Dec. 1, 1965, but not later than Dec. 31, 1965, shall be increased from its commencing date as if the annuity commencing date were Dec. 1, 1965 (H. Rept. 1102). p. 24824
9. ROADS. The Rules Committee reported a resolution for consideration of S. 2084, to provide for scenic development and road beautification of the Federal-aid highway systems. p. 24824
10. RECLAMATION. The Rules Committee reported a resolution for consideration of H. R. 2020, to authorize the Nevada water project. p. 24824
11. HEALTH. The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 5147, to amend the Federal Employees Health Benefits Act of 1959 to permit until Dec. 31, 1965, certain additional health benefits plan to come within the purview of the Act. p. D981
12. LEGISLATIVE PROGRAM. Rep. Albert announced that the conference report on the foreign aid appropriation bill will be considered today. p. 24797

SENATE

13. CONTRACTS; LABOR STANDARDS. The Labor and Public Welfare Committee reported with amendment H. R. 10238, to provide labor standards for certain persons employed by Federal contractors to furnish services to Federal agencies (S. Rept. 798). p. 24632
14. EDUCATION. The Labor and Public Welfare Committee reported with amendment H. R. 8310, the proposed Vocational Rehabilitation Act Amendments of 1965 (S. Rept. 806)(p. 24633). The bill was made the pending business for Fri. (p. 24737).
15. PROPERTY. Received from this Department a report on the disposal of excess personal and real property for fiscal year 1965. p. 24632
16. STOCKPILE. Sen. Byrd, Va., submitted a report from the Joint Committee on Reduction of Nonessential Federal Expenditures on Federal stockpile inventories

CONSIDERATION OF H.R. 11135

SEPTEMBER 30, 1965.—Referred to the House Calendar and ordered to be printed

Mr. SISK, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 598]

The Committee on Rules, having had under consideration House Resolution 598, report the same to the House with the recommendation that the resolution do pass.

○

THE JOURNAL OF THE

AMERICAN MEDICAL ASSOCIATION

PUBLISHED WEEKLY

REPORT

[To accompany (1915-1916)]

The Journal of the American Medical Association is published weekly, except on Sundays and public holidays. It is published by the American Medical Association, 535 North Dearborn Street, Chicago, Ill. The subscription price is \$5.00 per annum in advance. Single copies are sold at 15 cents. The Journal is published by the American Medical Association, 535 North Dearborn Street, Chicago, Ill. The subscription price is \$5.00 per annum in advance. Single copies are sold at 15 cents. The Journal is published by the American Medical Association, 535 North Dearborn Street, Chicago, Ill. The subscription price is \$5.00 per annum in advance. Single copies are sold at 15 cents.

House Calendar No. 180

89TH CONGRESS
1ST SESSION

H. RES. 598

[Report No. 1110]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 30, 1965

Mr. SISK, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 11135) to amend
5 and extend the provisions of the Sugar Act of 1948, as
6 amended, and all points of order against said bill are hereby
7 waived. After general debate, which shall be confined to
8 the bill and shall continue not to exceed four hours, to be
9 equally divided and controlled by the chairman and ranking
10 minority member of the Committee on Agriculture, the bill
11 shall be considered as having been read for amendment.
12 No amendments shall be in order to said bill except amend-

1 ments offered by the direction of the Committee on Agricul-
2 ture; an amendment to page 12, after line 14, proposing to
3 insert the following: “‘(h) Effective January 1, 1966 and
4 notwithstanding any other provision of law, the quota of any
5 country shall be reduced to zero for the balance of the period
6 covered by this Act if any authorized person appearing or
7 working in the interest of such country in regard to sugar
8 legislation is registered or required to be registered under
9 the Foreign Agents Registration Act; except that the quota
10 shall not be reduced below any treaty obligation.’”; and an
11 amendment on page 21 to strike out lines 8 and 9 and insert
12 in lieu thereof: “SEC. 9. Section 213 of such Act is amended
13 to read as follows:

14 “‘SEC. 213. (a) As a condition for importing sugar into
15 the continental United States pursuant to sections 202 (c)
16 and 204 of this Act, an import fee shall be paid to the
17 United States, which fee shall be 75 per centum of the
18 amount which the Secretary determines from time to time
19 will approximate the amount by which a domestic price for
20 raw sugar at a level that will fulfill the domestic price ob-
21 jective set forth in section 201, exceeds the prevailing world
22 market price for raw sugar (adjusted for freight to New
23 York, and most-favored-nation tariff). The fees provided
24 for in this paragraph shall be imposed on a per pound, raw
25 value, basis, and shall be applied uniformly except that the

1 import fee imposed on any direct-consumption sugar shall
2 be $\frac{1}{2}$ of one cent per pound more than the import fee im-
3 posed on raw sugar under this paragraph. Such fees shall
4 be paid by the person applying to the Secretary for entry
5 and release of sugar. Such payment shall be made in ac-
6 cordance with regulations promulgated by the Secretary.
7 The Secretary shall promulgate regulations permitting any
8 importer of sugar to apply for a quota set-aside, furnishing
9 such security as the Secretary may require, which will fix
10 the import fee for any sugar under his control to be imported
11 at any time during a calendar year at the rate then in effect
12 for such calendar year. The Secretary shall determine, from
13 time to time, the rate of import fee and the initial such de-
14 termination shall be made by October 1 in each year for the
15 succeeding calendar year, except for the calendar year 1966,
16 in which case such determination shall be made at the
17 earliest practicable date.

18 “ ‘(b) The funds collected as import fees by the Secre-
19 tary pursuant to the provisions of this section shall be
20 covered into the Treasury as miscellaneous receipts.’ ”; and
21 said amendments shall be in order, any rule of the House to
22 the contrary notwithstanding. Amendments offered by di-
23 rection of the Committee on Agriculture may be offered to
24 any section of the bill at the conclusion of the general de-
25 bate, but said amendments shall not be subject to amend-

1 ment; nor shall the two additional amendments permitted
2 under this rule be subject to amendment. At the conclusion
3 of the consideration of the bill for amendment, the Com-
4 mittee shall rise and report the bill to the House with such
5 amendments as may have been adopted, and the previous
6 question shall be considered as ordered on the bill and
7 amendments thereto to final passage without intervening
8 motion except one motion to recommit.

89TH CONGRESS
1ST Session
H. RES. 598

[Report No. 1110]

RESOLUTION

Providing for consideration of H.R. 11135, a bill to amend and extend the provisions of the Sugar Act of 1948, as amended.

By Mr. Sisk

SEPTEMBER 30, 1965
Referred to the House Calendar and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
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Issued October 8, 1965
For actions of October 7, 1965
89th-1st, No. 186

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HOUSE

1. RECLAMATION. By a 239-134 vote, passed with amendment S. 32, to authorize the southern Nevada water project, after substituting the language of H. R. 2020, earlier passed as reported (pp. 25329-31). The Senate concurred in the House amendment to S. 32.
This bill will now be sent to the President (pp. 25313-14).
2. APPROPRIATIONS. The Appropriations Committee was given until Wed., Oct. 13, to file a report on the supplemental appropriation bill for 1966 (p. 25332).
Permission was granted, at Rep. Mahon's request, to consider this bill on Fri., Oct. 15. Rep. Laird advised that "most of the funds to be included in this particular supplemental appropriation bill concern the so-called poverty program" (p. 25331).

3. EDUCATION. Conferees were appointed on H. R. 8310, the proposed Vocational Rehabilitation Act Amendments of 1965. Senate conferees have not yet been appointed. pp. 25331-2
4. HIGHWAYS. By a 245-138 vote, passed with amendments S. 2084, to provide for scenic development and road beautification of the Federal-aid highway systems. pp. 25333-405
5. TRANSPORTATION. Rep. Olsen, Mont., urged enactment of legislation to insure the adequacy of the national railroad freight car supply. p. 25407
6. FARM LABOR. Rep. Harvey, Mich., discussed the farm labor problem and inserted correspondence which he stated "illustrates...the real need of a congressional investigation into 1965 farm labor policies and results." pp. 25414-15
7. SUGAR. Rep. Findley stated that sugar lobbyists "perform no beneficial service to the United States while raising a cloud of doubt and suspicion over sugar quotas and how they are fixed." pp. 25434-38
8. AIR POLLUTION. Rep. Farbstein commended the passage of S. 306, the clean air bill. pp. 25440-41
9. PERSONNEL; PAY. Rep. Pepper expressed the hope that the federal pay-raise bill will be enacted this session. pp. 25441-42
10. POVERTY. Rep. Gibbons commended and inserted an article, "Testing the Poverty Program." pp. 25446-7
11. LEGISLATIVE PROGRAM. The "Daily Digest" states that on Fri. the House will act on the conference report on H. R. 9811, the farm bill. p. D1001

SENATE

12. SUGAR. Sen. Fulbright submitted an amendment to the sugar bill to increase the domestic marketing quota by 580,000 tons and request the President to submit to Congress by next April 30 recommendations for legislation to establish within the executive branch a permanent system for periodic allocation of foreign quotas. pp. 25271-2
13. FOREST SERVICE; NATURAL RESOURCES. Sen. Bartlett commended and inserted an article published by the National Wildlife Federation, "A New Dawn on Admiralty Island," which he said discusses the criticisms to which the Forest Service has been subjected because of a timber sale on Admiralty Island, Alaska, and "points out the fallacy of these criticisms." pp. 25281-2
14. WILDLIFE. Sen. Bartlett spoke on the results of the first international scientific meeting on the polar bear which was held in Fairbanks, Alaska, and inserted summaries of reports on information on polar bear movements, reproduction, longevity, and population structure, and significant steps made toward saving the bear from extinction. pp. 25284-90

H. R. 11135

IN THE SENATE OF THE UNITED STATES

OCTOBER 7 (legislative day, OCTOBER 1), 1965

Referred to the Committee on Finance and ordered to be printed

AMENDMENTS

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. FULBRIGHT to H.R. 11135, an Act to amend and extend the provisions of the Sugar Act of 1948, as amended, viz: Strike out all after the enacting clause and insert the following:

- 1 That, effective January 1, 1965, paragraphs (1) and (2)
2 (A) of section 202 (a) of the Sugar Act of 1948, as
3 amended, are amended to read as follows:
4 “(a) (1) For domestic sugar-producing areas, by ap-
5 portioning among such areas six million three hundred and
6 ninety thousand short tons, raw value, as follows:

“Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

1 “(2) (A) To or from the above total of six million
2 three hundred and ninety thousand short tons, raw value,
3 there shall be added or deducted, as the case may be, an
4 amount equal to 65 per centum of the amount by which the
5 Secretary’s determination of requirements of consumers in the
6 continental United States pursuant to section 201 for the cal-
7 endar year exceeds ten million four hundred thousand short
8 tons, raw value, or is less than nine million seven hundred
9 thousand short tons, raw value. Such amount shall be ap-
10 portioned between the domestic beet sugar area and the
11 mainland cane sugar area on the basis of the quotas for such
12 areas established under paragraph (1) of this subsection and
13 the amounts so apportioned shall be added to, or deducted
14 from the quotas for such areas.”

15 SEC. 2. (a) The President shall submit to the Senate
16 and the House of Representatives, on or before April 30,
17 1966, recommendations for amendments to the Sugar Act of
18 1948, as amended, providing for the periodic allocation, by
19 the President or by a department or agency within the ex-
20 ecutive branch of the Government designated by the Presi-
21 dent, of quotas to foreign countries, other than the Republic
22 of the Philippines, under such Act.

23 (b) In submitting his recommendations under subsec-
24 tion (a), the President shall include criteria and procedures

1 for allocating sugar quotas to foreign countries, other than
2 the Republic of the Philippines, which will—

- 3 (1) provide consumers in the United States with
4 dependable supplies of sugar at reasonable prices, and
5 (2) effectuate the foreign policy objectives of the
6 United States.

Amend the title so as to read: “An Act to amend section 202 (a) of the Sugar Act of 1948, as amended, and for other purposes.”

Amdt. No. 471

89TH CONGRESS
1ST SESSION

H. R. 11135

AMENDMENTS

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. FULBRIGHT to
H.R. 11135, an Act to amend and extend the
provisions of the Sugar Act of 1948, as
amended.

OCTOBER 7 (legislative day, OCTOBER 1), 1965
Referred to the Committee on Finance and ordered
to be printed

DIGEST of Congressional Proceedings

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Issued Oct. 13, 1965
For actions of Oct. 12, 1965
89th-1st, No. 190

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HIGHLIGHTS: Senate agreed to conference report on farm bill. House began debate on sugar bill. Rep. Purcell praised farm bill. Sen. Long, La., and Rep. Boggs introduced and discussed hurricane disaster relief bills.

HOUSE

1. SUGAR. Began debate on H. R. 11135, to amend and extend the provisions of the Sugar Act of 1948. pp. 25776-822
2. LEGAL AID. The Judiciary Committee reported with amendment S. 1758, to provide for the right of persons to be represented by attorneys in matters before Federal agencies (H. Rept. 1141). p. 25859
3. PUBLIC WORKS APPROPRIATION BILL. Conferees were appointed on this bill, H R. 9220 (p. 25781). Conferees were granted until midnight Thurs. to file a report (p. 25781). See Digest 155 for provisions of the bill.
4. FLOOD CONTROL. Rep. Pelly opposed the proposed Rampart Canyon Dam of Alaska. pp. 25830-31

Rep. Boland acclaimed the dedication of the Littleville Dam and Reservoir in Mass. stating that it is the "first dual purpose dam in New England to incorporate flood control and future municipal water supply features." pp. 25852

5. FARM PROGRAM. Rep. Purcell stated that the farm bill "will have far-reaching effect on the problems of agriculture." pp. 25856-57
6. LEGISLATIVE PROGRAM. Rep. Albert stated that if the supplemental appropriation bill is disposed of on Thurs., "I hope we will be able to adjourn over until Monday." pp. 25783-84

SENATE

7. FARM PROGRAM. Agreed to the conference report on H. R. 9811, the farm bill (pp. 25720-41). This bill will now be sent to the President. See Digest 185 for provisions of the bill.
8. SOIL CONSERVATION. Sen. McClellan commended and inserted an address by Hollis R. Williams, Administrator for Watersheds of the USDA Soil Conservation Service, "Soil and Water Conservation Districts' Role in the Future." pp. 25695-97
9. WATER RESOURCES. Sen. Yarborough commended and inserted the speech of Sen. Moss on water problems. pp. 25698-700
Sen. Boggs inserted an editorial, "Our Buried Rivers," stressing the necessity for investigation of all available sources of fresh water.
Sen. Bennett stated that work is now ready to proceed on the Bonneville unit of the central Utah reclamation project which "will enable Utah to make the most beneficial use of its share of the Colorado River." pp. 25712-13
10. RESEARCH ANIMALS. Sen. McGee stated that there is "a vicious black market, operating in the supply of pets for research work," and inserted an article, "Animal Lovers: Beware the Pet Thieves." pp. 25719-20
11. FOOD COMMISSION. In response to a request by Sen. Javits, Sen. Mansfield announced that he had "no doubt" that a Commission on Food and Fiber will be appointed. pp. 25741-42
12. FARMLAND. Sen. McClellan inserted a letter from E. A. Jaenke, Acting Administrator of Agricultural Stabilization and Conservation Service, making it clear "that any land which has been cleared, planted, or in the process of clearing prior to October 1, 1965, and used for soybeans or other nonsurplus crops, as determined by the Secretary of Agriculture will not be added to the conserving base for the farm." p. 25742

ITEMS IN APPENDIX

13. FARM LABOR. Rep. Bob Wilson inserted an article describing labor problems of apple growers. p. A5731
14. FOREIGN AID. Extension of remarks of Rep. Brown, Calif., suggesting that a new look be taken at foreign aid and inserting an article, "Strategy for Aid." pp. A5732-3

89th Congress }
1st Session }

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THE DEVELOPMENT OF FOREIGN SUGAR QUOTAS IN H.R. 11135

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS
FIRST SESSION



OCTOBER 12, 1965

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE

54-501

WASHINGTON : 1965

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THE DEVELOPMENT OF FOREIGN SUGAR QUOTAS IN H.R. 11135

In 1962, when it became necessary to replace Cuba as a major source of U.S. sugar supplies, the committee **sought a mathematical formula** under which the former Cuban quota could be partially re-allocated. Since there was then very little history of sugar shipments to the United States by foreign countries other than Cuba, the formulas explored by the committee were based upon production, domestic consumption, world exports, and other relevant statistical data.

After considering thoroughly every formula suggested, the committee came to the conclusion that **it was impossible to apply a statistical formula** to a matter so complex as assigning foreign sugar quotas equitably and in the best interest of the United States.

It proceeded, therefore, to **develop the quotas in the 1962 act on a country-by-country basis** taking into consideration not only the ability to supply sugar to the U.S. market but **other factors** such as friendship for the United States, trade with the United States, support of U.S. foreign policy, and other matters which cannot be measured statistically.

The wisdom of this procedure by the Committee on Agriculture, in allocating the 1962 quotas to foreign countries is evidenced by three facts:

1. In conference on the 1962 act, the Senate insisted on changing only two of the quotas: reducing substantially the quota for the Dominican Republic and eliminating entirely the quota for Argentina. **Ten days later the Senate found it necessary to completely reverse its position with respect to the Dominican Republic and Argentina**, by passing an amendment to a "honeybee" bill authorizing the President to distribute 150,000 tons of the temporary Cuban quota as he saw fit, with the understanding that 130,000 tons was to go to the Dominican Republic and 20,000 tons to Argentina.

2. The State Department has **never, at any time, received from a foreign country a serious protest** over the quotas assigned by the committee in the 1962 act.

3. Although more than **3 million tons** of sugar were shipped to the United States in each of the years 1962-64 under the global quota provisions of the 1962 act, with every friendly country in the world eligible to ship sugar into the United States, **only 229,951 tons came from countries which the Committee on Agriculture had not designated in its foreign quota allocations**—indicating that these quota countries were eminently able and willing to supply U.S. sugar requirements.

SEARCH FOR A FORMULA IN 1965

In spite of its experience with formulas in 1962, the committee again in 1965 hoped that foreign quotas might be allocated on a formula basis and several months prior to any formal consideration of the bill extending the Sugar Act it started the search for such a formula.

At the request of the committee, the Department of Agriculture prepared figures for the committee showing the application of **more than 30 different possible formulas**. Since there was, by this time, a history of sugar deliveries in the years 1961-64, these formulas were based upon sugar deliveries during every possible combination of these years. They included a straight average of the 4 years 1961-64, a straight average of the 3 years 1962-64, and of the 2 years 1963-64, the 2 years 1963-64 with double weight to 1964 (the formula adopted by the Department of Agriculture), a formula based on the best 2 years out of the 4, one based on the best 2 years out of the 3 years 1962-64, and others.

After examining the figures resulting from the application of all these formulas, the committee again came to the conclusion that there was no formula which would assure the timely availability of ample sugar supplies for the United States, carry out the foreign policy of the United States, and serve adequately to assist the economies of developing countries, thereby carrying out one of the major objectives of the Sugar Act, to develop the foreign trade of the United States.

Each formula studied by the committee required so many exceptions and variations that, in the end, quota determinations would become a matter of judgement rather than of formula. Therefore, the committee found that **it is impossible to apply a sliderule solution to a problem containing so many intangibles that it is not susceptible to solution by mere statistical formula.**

THE FORMULA PROPOSED IN H.R. 10496

This principle applies to the specific formula proposed by the Department of Agriculture, as well as all the others. This is apparent from the fact that in the Department's bill a page and a half of fine print following the printing of the formula is required to make exceptions to that formula. More space would have been used had the Department made all of the exceptions to its formula necessary to deal equitably with the quota problem.

The formula favored by the Department, and submitted in the administration's sugar bill, would have based foreign quotas on 1963-64 sugar deliveries by the foreign suppliers, **with double weight given to deliveries in 1964.**

The fundamental fault with the Department's formula (aside from the impossibility of applying any mere statistical formula to this complicated situation) is that **it completely disregards 30 years of experience under the Sugar Act (including the statutory quotas enacted by Congress in 1962)** and bases its foreign quota recommendations solely on the experience of the 2 years 1963 and 1964. In his testimony before the committee, Tom O. Murphy, Director of the Department of Agriculture's Sugar Policy Staff, conceded that **these 2 years (1963 and 1964) were the most abnormal and unrepresentative 2 years in the history of the Sugar Act.** And yet it is these 2 years which are the **sole basis** of the Department's recommendations for

permanent, statutory quotas, that are to be the foundation of our Sugar Act and our foreign commerce in sugar for the next 5 years, and by implication, for the years to come.

In 1964, the Department of Agriculture was expected and **required by law** to allocate for "global quota" purposes all of the quota withheld from Cuba—slightly more than 1.5 million tons. In late 1963, it allocated 1 million tons of this Cuban reserve and asked foreign suppliers to commit themselves for this amount, requiring delivery early in 1964. Any foreign supplier who might not happen to have supplies readily available at that time **had the right to assume that the remaining 500,000 tons of the Cuban quota would be allocated later in the year**, and to wait to make its commitment against this later allocation.

Contrary to the provisions of the Sugar Act, the Department **never allocated the remaining 500,000 tons** of the withheld Cuban quota. Yet this abnormal year of 1964 is the one to which the Department of Agriculture would give double weight in its so-called formula.

As the committee discovered in its own studies of the many formulas proposed for possible use this year, **it is entirely possible to give unfair advantage to one country over another by picking the years or combination of years on which the formula is based**. This is the reason the committee, after exhaustive studies, rejected all of the formulas.

SHORTCOMINGS OF THE DEPARTMENT'S FORMULA

1. The Department's statement supporting its formula makes a gesture toward maintaining the largest possible part of our foreign sugar supply within the countries of the Western Hemisphere. But, compared to the allocations in the 1962 act, its formula **more than doubles the proportion of the foreign quota which would go to countries outside the Western Hemisphere**. Every ton of this sugar comes from quotas which would otherwise be assigned to countries in the Western Hemisphere.

2. Some of the abnormal quotas outside the Western Hemisphere required by the Department's formula are—

a quota of 97,000 tons to **India**, a country receiving general and substantial support from the United States with much of its foreign exchange needs met from our Public Law 480 and AID programs—and with hungry people in its own country who could well use this vital food;

a quota of 97,000 tons to **South Africa**, a country rich in resources which depends on sugar for only 2.6 percent of its foreign exchange, and which has access to the British Commonwealth market for a substantial part of its sugar; and

a quota of 45,000 tons to **Fiji**, a nation of 428,000 people, which in 1964 had a preferential market in the British Commonwealth for 288,000 tons of sugar.

The quotas assigned under the Department's formula to Australia, China, India, and South Africa were **larger than its proposed quotas** to any of the Central and South American countries except Peru and Brazil.

3. Even in the Western Hemisphere, the inadvisability of relying on a straight, unadjusted formula, is apparent.

The Department's formula would give the five friendly, developing countries of the Central American Common Market (Costa Rica,

Nicaragua, Guatemala, El Salvador, and Honduras) a total of only 128,000 tons. The committee bill gives them 148,000 tons.

Although the "big four" (Mexico, the Dominican Republic, Brazil, and Peru) are about equal in their ability to produce and export sugar the Department's formula allotted them quotas varying from 222,000 tons for Peru, to 390,000 tons for Mexico.

The Department's formula would give Argentina, an erratic sugar producer, a quota of 64,000 tons—in spite of the fact that it was able to export to the United States in 1964 only 20,000 tons.

The Department's formula would give Panama, a country the United States is striving to help develop, a quota of only 14,349 tons. The committee bill allots it a quota of 25,134 tons.

In spite of the **unsettled and uncertain political situation** in the **Dominican Republic** that country would receive a statutory quota of 386,000 tons under the Department's formula. The committee reduced this to 340,000 tons (the same as Mexico and Brazil) but suggested that the President use his authority under the bill to **increase this quota on a year-by-year basis** by assignment to the Dominion Republic of such portion of the deficit (usually about 300,000 tons) as he deemed appropriate.

DECISION NOT TO USE DEPARTMENT FORMULA

After hearing all the public testimony on the sugar bill, including that of the Department of Agriculture and the Department of State, and after an executive session of the full Committee at which the committee heard spokesmen for the Department of Agriculture explain details of the bill and defend the Department's recommendations, **the first action taken by the Committee on Agriculture was to vote not to follow the formula recommended by the Department in H.R. 10496.** This vote was taken in executive session of the full committee and was virtually unanimous.

The sugar bill follows the administration's recommendations in every other major aspect. The division of quota between foreign and domestic suppliers is exactly as proposed by the administration. The division of domestic quota between beets and cane is exactly as proposed in the bill.

The new provisions authorizing the President to suspend or withhold a quota from any foreign country "in the national interest" and to allocate deficits among Western Hemisphere countries in the national interest as he "finds appropriate" are in the bill **exactly as proposed by the administration.**

In addition, the committee has **strengthened the President's hand** by reenacting and strengthening a provision of the 1962 act authorizing the President to suspend quotas from any country which expropriates property of American citizens without proper compensation. There was **no such provision** in the Department's bill.

The only substantial difference is that the committee has exercised its collective judgment in recommending, for consideration by the House, the assignment of quotas to foreign countries. The committee believes that the combined judgment of the Members of the Congress, informed on all factors relating to the national interest and to the foreign policy of the United States, is superior to any formula adopted by a small committee of employees of the executive departments.

THE NECESSITY OF A RESERVE

One of the basic functions of the Sugar Act is to assure price stability and adequate sugar supplies for consumers. This it has done, with remarkable success, over a 30-year period. Essential to the performance of these functions is **the necessity of having readily available, on short notice, an adequate reserve of raw sugar.**

Stability has been possible under the act because of the availability of ample sugar supplies **close to the United States** which can be delivered to the U.S. market **within a very short period** should domestic supplies become short and prices increase. The Sugar Act stipulates a target price which the Secretary of Agriculture is to maintain. He can maintain this price, if domestic supplies become short, only by bringing in sugar from offshore source on very short notice. **Countries outside the Western Hemisphere, with a delivery time to the United States of 6 to 8 weeks,** cannot be relied upon to provide the sugar we need in times of emergency or in times of unusual price increase.

The administration bill encourages all supplying countries to carry a reserve of 15 percent of their U.S. quota. But in the case of countries outside the Western Hemisphere and countries with relatively small quotas, **this has very little meaning.** The committee bill amends this provision to require that the four large Western Hemisphere suppliers **carry a reserve of 30 percent of their U.S. quota** (about 500,000 tons) until July 1 each year—by which time our annual sugar requirements are usually well established. They would be required to carry the 15-percent reserve for the remainder of the year.

FACTORS CONSIDERED BY COMMITTEE

Foreign quotas in the Sugar Act (for countries other than the Philippines) are expressed in percentages. The reason for this is that quotas for all the domestic areas (including Hawaii, Puerto Rico, and the Virgin Islands), and for the Philippines, are expressed in fixed tonnages. When the Secretary of Agriculture estimates and announces the total quantity of sugar which will be needed by U.S. consumers in a calendar year, the fixed tonnages for the areas mentioned come off the top, and foreign countries other than the Philippines share percentage-wise in the remainder.

In working out the quotas in this bill, the committee started with the quotas in the 1962 act. No country except Cuba has received a smaller quota than it had in the 1962 act. Several countries not included in the 1962 act have been added because of their friendship for the United States, their strategic locations, their deliveries of sugar in the years 1962-65, and for other reasons.

Following are the factors which were considered by the committee in making adjustments in 1962 quotas and in allotting quotas to new countries:

1. **Ability to supply the stipulated amount of sugar to the U.S. market.**
2. **Ability (particularly among the larger suppliers) to carry reserves of up to 30 percent to meet emergencies or increases in demand.**
3. **Ready availability of supply, with preference to Western Hemisphere producers, because of a delivery time of 2 to 3 weeks, compared to a delivery time of 6 to 8 weeks for other countries.**

4. **Stability of supply—including the element of stability of the local government.**
5. **The economic need of the country for a U.S. quota and the relative value of a quota to such country.**
6. **Purchase of, and potential market for, U.S. agricultural commodities, including the balance of trade relationship with the United States.**
7. **Reasons of national policy and strategy, including unusual military or strategic importance of the nation receiving a sugar quota.**
8. **Friendliness of the government and support of U.S. foreign policy—particularly in the U.N. and the OAS.**
9. **The record of performance in making deliveries to the United States in 1962, 1963, and 1964.**

PROCEDURE

Following is the procedure which was used by the Committee on Agriculture in arriving at the foreign quotas set out in H.R. 11135.

1. **Immediately following the public hearings** on the sugar bill, there was an executive session at which the top sugar official of the Department of Agriculture went over with the committee the details of the bill. Also present were representatives of the domestic beet and cane industry to explain details of the bill as it applied to the domestic areas.

2. Following the discussion of the bill in executive session, the committee, as heretofore noted, voted overwhelmingly not to follow the foreign country allocations recommended by the Department of Agriculture but **to develop a more equitable system of foreign country quotas** based upon the interests of the United States and of the nations participating in our sugar market.

3. At the suggestion of various committee members, the chairman appointed a special subcommittee to consider the matter of foreign country quotas and make recommendations to the full committee. The subcommittee consisted of the chairman, three members of the majority, and three members of the minority, as follows: Mr. Poage, Mr. Abernethy, Mr. Purcell, Mr. Dague, Mr. Teague of California, and Mrs. May. Mr. Quie replaced Mrs. May when it was necessary for her to be absent on public business.

4. The subcommittee met first with Thomas C. Mann, Under Secretary of State, and another representative of the State Department and discussed at length the Department of Agriculture's quota recommendations and the foreign policy aspects of all the proposed foreign quotas. **The State Department's recommendations with respect to each country were carefully considered by the subcommittee.**

5. At its next two meetings, the subcommittee studied the various formulas which had been proposed, including that of the Department of Agriculture. It used for this purpose the tables on each formula which had been prepared for the committee by the Department of Agriculture.

6. **The subcommittee concluded that no formula which had been proposed was adequate, and it determined that it would use as the basis of 1965 allotments the foreign quota allotments in the 1962 act with such modifications as might be appropriate.**

7. At its next three meetings the subcommittee made adjustments in the 1962 quotas on the basis of the factors stated in the preceding section and in consideration of all these factors.

8. At its final meeting, **the subcommittee unanimously approved the allotment of quotas which had been developed.**

9. The Republican and Democratic members of the subcommittee then met separately with the minority and majority members of the full committee to discuss the proposed quotas. As the result of these meetings, two or three minor changes were made in the allotments. Democratic and Republican members, in separate caucuses, approved the quotas.

10. **The full committee met in executive session three times** to consider the quotas. At each meeting each member of the committee was free to make any motion he cared to with respect to any country quota. Several such motions were made and several adjustments in quota were adopted.

11. Following the final markup session, a clean bill was introduced and this was approved by the full committee.

THE WESTERN HEMISPHERE

The committee has tried to keep as much of the foreign sugar quota as possible in the Western Hemisphere, for four principal reasons:

1. Because of our **traditional national policy of friendship** for and assistance to Western Hemisphere countries.

2. Because of the **ready availability of sugar** in the Western Hemisphere and the short delivery time required to move that sugar to U.S. consumers.

3. Because virtually all the dollars earned through sales of sugar to the United States **will be used to purchase exports** from this country.

4. Because **all of the foreign quotas** now being reassigned is coming from a Western Hemisphere country (Cuba).

Under the 1962 act, only 4.77 percent of the foreign quota (other than that for the Philippines) was assigned to countries outside the Western Hemisphere. The bill submitted by the Department of Agriculture would have assigned 10.08 percent of the foreign quota (exclusive of the Philippines) to countries outside the Western Hemisphere.

The committee has added two Western Hemisphere provisions not contained in the administration bill:

1. The provision that the countries of the Central American Common Market will have an opportunity to **fill their own deficits** before these deficits are prorated to other countries.

2. A provision that **any increase in the Cuban quota** resulting from consumption exceeding 10 million tons in the United States will be distributed exclusively to quota countries which are **members of the Organization of American States.**

THE "BIG FOUR"

With Cuba no longer eligible to serve as the bottomless sugar bowl, ready at any time to meet unexpected or emergency demands of U.S. consumers, it seemed important to the committee that **several other substantial sugar suppliers** should assume Cuba's former role in this

respect. It has, therefore, divided a substantial portion of the foreign quota among the four largest sugar producers of the Western Hemisphere (Mexico, the Dominican Republic, Brazil, and Peru) and expects each of these countries **to carry a reserve of not less than 30 percent of its quota** until July 1 of each year. Thereafter these countries, in common with others having sugar quotas, will be expected to maintain reserves of approximately 15 percent.

All four of these large producers appear to be well able to meet the quotas assigned to them but only three (Mexico, the Dominican Republic, and Brazil) **have the potential to expand their production substantially, should this become desirable.** Sugar production in Peru is at approximately the highest level it can be expected to attain and it is also reported that Peru may have some difficulty in maintaining the 30-percent reserve required by the bill.

In assigning quotas to these countries, **the committee can see no reason** why any one of the three largest (Mexico, the Dominican Republic, and Brazil) should have preference over the other and has, therefore, assigned to these countries **quotas exactly equal in quantity.** It has assigned a smaller quota to Peru for the reasons given.

Quotas for each of the countries named in H.R. 11135 were considered carefully and on their own merits and each represents the combined judgment of a majority of the 35-member Committee on Agriculture.

HAROLD D. COOLEY,
W. R. POAGE,
THOMAS G. ABERNETHY,
GRAHAM PURCELL,
PAUL B. DAGUE,
CHARLES M. TEAGUE,
ALBERT H. QUIE,
CATHERINE MAY,
Special Subcommittee on Sugar.



torical significance of Pennsylvania Avenue and its historically related environs in Washington, D.C., and found that this district possesses outstanding national historical significance: Now, therefore,

With the concurrence of Lyndon B. Johnson, President of the United States, I, Stewart L. Udall, Secretary of the Interior, by virtue of and pursuant to the authority vested in me under the act of Congress approved August 21, 1935, do hereby designate the following described lands to be a National Historic Site having the name "The Pennsylvania Avenue National Historic Site":

Beginning at a point on the southwest corner of the intersection of 15th Street and Constitution Avenue, NW., easterly along the south side of Constitution Avenue, to the southwest corner of the intersection of Constitution Avenue and Pennsylvania Avenue; then easterly along the south side of Pennsylvania Avenue to and including the outer circumference of First Street, NW., which forms an arc around Peace Monument; then westerly along the north side of Pennsylvania Avenue to the northeast corner of the intersection of 3d Street and Pennsylvania Avenue, NW.; then northerly along the east side of 3d Street to the northeast corner of the intersection of 3d Street and E Street, NW.; then westerly along the north side of E Street to the northeast corner of the intersection of E Street and 4th Street, NW.; then northerly along the east side of 4th Street to the northeast corner of the intersection of 4th Street and G Street, NW.; then westerly along the north side of G Street, NW., to the northwest corner of the intersection of G Street and 5th Street, NW.; then southerly along the west side of 5th Street to the northwest corner of the intersection of 5th Street and E Street, NW.; then westerly along the north side of E Street to the northeast corner of the intersection of E Street and 7th Street, NW.; then northerly along the east side of 7th Street to the point on 7th Street being the intersection of the north side of G Street with the east side of 7th Street, NW.; then westerly from that point along the north side of G Street to the point being the intersection of the north side of G Street with the west side of 9th Street, NW.; then southerly from that point along the west side of 9th Street, NW., to the northwest corner of the intersection of 9th Street and F Street, NW.; then westerly along the north side of F Street to the northeast corner of the intersection of F Street and 11th Street, NW.; then southerly along the east side of 11th Street to the northeast corner of the intersection of 11th Street and E Street, NW.; then westerly along the north side of E Street to a point approximating what would be the northeast corner of E Street and 13½ Street if the latter were extended north across Pennsylvania Avenue; then northerly from that point along a line forming a perpendicular to F Street, to the intersection of said line with the north side of F Street; then westerly along the north side of F Street to the northeast corner of the intersection of F Street and 15th Street, NW.; then northerly along the east side of 15th Street to the southeast corner of the intersection of 15th Street, New York Avenue, and Pennsylvania Avenue, NW.; then westerly along the south side of Pennsylvania Avenue to the southwest corner of Pennsylvania Avenue and East Executive Avenue; then southerly along the west side of East Executive Avenue to a point which would be the southwest corner of the intersection of East Executive Avenue and E Street; then easterly along the south side of E Street to the southwest corner of the intersection of E Street and 15th Street, NW.; then southerly along the west side of 15th Street to the point or place of beginning.

Subject to the limitation contained in the second sentence of this paragraph, the ad-

ministration, protection and development of this national historic site shall be exercised in accordance with the provisions of the act of August 21, 1935. Unless provided otherwise by act of Congress, no funds appropriated to the Department of the Interior shall be expended for the administration, protection, and development of the Pennsylvania Avenue National Historic Site.

In witness whereof, I have hereunto set my hand and caused the official seal of the Department of the Interior to be affixed in the city of Washington, District of Columbia, this 30th day of September 1965.

STEWART L. UDALL,
Secretary of the Interior.

I concur:

LYNDON B. JOHNSON,
President of the United States.
SEPTEMBER 30, 1965.

PRINTING OF INTERIM REPORT ON SUDBURY RIVER, SAXONVILLE LOCAL PROTECTION, FRAMING- HAM, MASS. (S. DOC. NO. 61)

Mr. McNAMARA. Mr. President, I present a letter from the Secretary of the Army, transmitting a report dated August 26, 1965, from the Acting Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on an interim report on Sudbury River, Saxonville local protection, Framingham, Mass., requested by resolutions of the Committee on Public Works, U.S. Senate.

I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

CORRECTION OF THE RECORD

Mr. HART. Mr. President, through a clerical error, the draft of S. 2568—the Medical Restraint of Trade Act—was printed in the CONGRESSIONAL RECORD when I introduced the bill Tuesday, September 28, was in error.

I ask unanimous consent that the correct language be printed following these remarks and that the permanent RECORD be corrected accordingly.

The PRESIDING OFFICER. Without objection, it is so ordered.

Senate bill 2568 is as follows:

S. 2568

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Medical Restraint of Trade Act".

FINDINGS OF FACT

SEC. 2. The Congress finds and declares that the payment to and receipt by persons licensed to engage in the practice of medicine, of profit in connection with the furnishing to patients of drugs, devices, or other products prescribed for consumption or use by patients tends to lessen competition and substantially to restrain and to monopolize trade and commerce and constitutes a burden upon interstate commerce in such products.

DEFINITIONS

SEC. 3. As used in this Act—

(a) The term "person" shall mean any natural person, firm, corporation, or association of any kind;

(b) The term "licensee" shall mean any person licensed by any State, any governmental division thereof, or any association

or society authorized under any State law to issue such a license, to engage in the practice of medicine;

(c) The term "professional service" shall mean services rendered in the practice of his profession by the licensee;

(d) The term "profit" shall mean any markup above actual cost of the product to the licensee, discount, refund, rebate, commission, rental for space leased from a licensee based in whole or in part on a percentage of income from drugs or devices sold or furnished by the tenant or unreasonably high rental in lieu thereof, or other valuable consideration; and

The term "drug or device" shall mean drug or device as defined in the Federal Food, Drug, and Cosmetic Act, as amended (21 U.S.C. 321), and other products prescribed by a licensee for consumption or use by man.

PROHIBITION OF MEDICAL RESTRAINTS OF TRADE

SEC. 4. (a) It shall be unlawful—

(1) for any person to pay, offer to pay, or allow directly or indirectly, to any licensee, or for a licensee to knowingly receive directly or indirectly, any profit for or in connection with the referral of patients of the licensee to such person for the furnishing of any drug or device; or

(2) for any licensee to accept or receive directly or indirectly from any person any profit on or resulting from the sale, rental, furnishing, or supplying by such licensee of any drug or device to such person in connection with or as a result of the rendition by such licensee of professional service to or for such person, except that nothing herein shall apply to a licensee furnishing to his patient such drug or device when an emergency exists or shall apply to the administration of a unit dose of a drug in any form to a patient by the licensee or by a nurse or assistant under direction of the licensee.

(b) Every person, firm, corporation, or association who shall violate this Act shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding \$5,000, or by imprisonment not exceeding one year, or both said punishments, in the discretion of the court.

(c) The several district courts of the United States are invested with jurisdiction to prevent and restrain violations of this Act; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations. Such proceeding may be by way of complaint setting forth the case and praying that such violations shall be enjoined or otherwise prohibited. When the parties complained of shall have been duly notified of such complaint the court shall proceed, as soon as may be, to the hearing and determination of the case.

AMENDMENT AND EXTENSION OF THE SUGAR ACT OF 1948—AMEND- MENT

AMENDMENT NO. 471

Mr. FULBRIGHT. Mr. President, the Senate will soon be asked to consider sugar legislation in the last few days of the session, as has happened so often in past years. The procedure is not unusual but the ramifications of this bill are far more significant than has been the case with previous sugar bills. This bill will freeze sugar import quotas in a set pattern for 6 years, with all of the equities and inequities the formula in the bill happens to create.

This time squeeze is symptomatic of the difficulties Congress has created for itself by trying to reconcile all of the

conflicting interests involved in allocating foreign sugar quotas. The Congress is not qualified by temperament or expertise to set import quotas, but it has no choice under the present system. The system has been the cause of public embarrassment at home and violent reaction abroad. It carries both the seeds of scandal and revolution. When the public is confronted with a barrage of headlines about the activities of sugar lobbyists, as it has been for the last few weeks, there is little doubt about why the public has serious questions about this legislation. The sugar bill is the only major bill touching the lives of every American every day which is, in effect, written by the lobbyists. But who lobbies for the public interest? No one so far as I can see judging from the contents of the proposed legislation.

Perhaps the lobbyists have rendered a great public service this year. If the publicity given their activities results in some serious thinking in Congress about the inefficiencies and inequities of the way quotas are now allocated, the public, instead of their clients, could be the beneficiary. The only way to remove the stigma and the aroma created by Congress passing out sugar quotas to foreign countries is to put the responsibility for administering the system in the executive branch of the Government, where it belongs.

The Senate will be given the choice between approving a rigid sterile formula in the administration bill or revising in the patchwork allocations made by the House committee on the basis of unknown criteria. The members of the Senate Finance Committee are capable, intelligent men. But I doubt that many members feel particularly well qualified to decide on a country-by-country basis what such quotas should be from the standpoint of the Nation's foreign policy objectives and the interests of sugar consumers. Yet, members of the House Committee on Agriculture thought they were qualified to draw up a revised foreign economic policy for each of the producing nations. The results were predictable—with situations such as that of Argentina being cut by 42,200 tons, apparently because she failed to hire a lobbyist and relied on diplomatic channels to make her case.

This is not the way to protect consumer interests or advance our foreign policy objectives. Foreign quotas should either be set on the basis of criteria taking into account foreign policy considerations or we should buy sugar at world prices. Under the present system, we do neither.

I am submitting an amendment today which, if adopted, will lead to establishing an allocation system to rid the Congress of this legislative monstrosity and place the responsibility for fixing foreign quotas in the executive branch.

My amendment would accomplish these two things: First, increase the domestic marketing quota by 580,000 tons, as requested by the domestic industry and as recommended by the administration and approved by the House committee; and second, request the President to submit to the Congress by April

30 of next year recommendations for legislation to establish within the executive branch a permanent system for periodic allocation of foreign quotas. The criteria for the system would be based on supplying consumers with adequate amounts of sugar at reasonable prices and effectuating the foreign policy objectives of the United States.

The Sugar Act does not expire until the end of 1966 and with the increase in the domestic marketing quota, there is no need for foreign quota legislation this year. The Secretary of Agriculture can continue to set quotas administratively next year, as he has for this year. The stipulation in the amendment that the President submit his recommendations for a permanent allocation system to the Congress by April 30 will insure that there is ample time for careful consideration of his proposals prior to what is expected to be an early adjournment next year.

I hope that Members of the Senate and especially the Finance Committee will give careful consideration to my amendment which I intend to offer in committee at an appropriate time, and I submit an amendment and ask to have it referred to the appropriate committee.

The PRESIDING OFFICER. The amendment will be received, printed, and appropriately referred.

The amendment (No. 471) was referred to the Committee on Finance.

ADDITIONAL COSPONSORS OF BILL

Mr. LAUSCHE. Mr. President, I ask unanimous consent that the names of Senator RUSSELL of South Carolina, Senator BIBLE, Senator HARTKE, and Senator MURPHY, be added as cosponsors to S. 2482.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LAUSCHE. Mr. President, this is the bill which contemplates making it a Federal crime for any person to physically interfere with the movement of military men, equipment, or property. It provides that whoever purposely and willfully physically interferes with transportation systems which are carrying military men, property, or equipment shall be deemed guilty of violating the dignity and the law of the United States.

It is rather imperative, Mr. President, that a bill of this type be adopted.

At Berkeley College, in California, within the next few weeks, there will be held an assembly of students, and probably many visitors, in connection with which, the word has gone out, there will be a march on transportation systems which may be carrying personnel, equipment, and military property to the seacoast, to be loaded on ships.

I regretfully say to my colleagues on the floor of the Senate that I have been calling the Defense Department and officials of the Department of Justice to have them give their opinion on the bill to the judiciary department.

I have not received a response which I feel is compatible with the significance

of the bill. It has now been pending about 2 months, but still no opinion has been expressed.

Mr. INOUE. Mr. President, on behalf of the Senator from Florida [Mr. SMATHERS], I ask unanimous consent that our very able and distinguished colleague, Senator JENNINGS RANDOLPH, of West Virginia, be made a cosponsor of S. 1602, legislation which will permit voluntary retirement of traffic controllers after 20 years of service and having attained the age of 50.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL COSPONSORS OF AMENDMENTS

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the names of the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], the Senator from Mississippi [Mr. STENNIS], and the Senator from Florida [Mr. SMATHERS] be added as cosponsors of the amendments I offered yesterday to S. 1861, to provide additional assistance for areas suffering a major disaster.

The PRESIDING OFFICER. Without objection, it is so ordered.

HEARINGS ON IMPROVEMENT IN JUDICIAL MACHINERY OF THE COMMITTEE ON THE JUDICIARY

Mr. TYDINGS. Mr. President, as chairman of the Subcommittee on Improvements in Judicial Machinery of the Committee on the Judiciary, I wish to announce that hearings will be held by the subcommittee on the U.S. commissioner system, with a view toward broad-scale reform and overhaul of the system.

The hearings will deal with every aspect of the commissioner system; and, among other things, will focus specifically upon the qualifications of commissioners, method of appointment, compensation and tenure, the petty offense jurisdiction of the commissioners, pretrial proceedings, and the issuance of process.

The first hearing is scheduled for Wednesday, October 13, at 9:30 a.m., in room 6226, New Senate Office Building.

Any person who wishes to testify or submit a statement pertaining to this subject should communicate with the Subcommittee on Improvements in Judicial Machinery.

NOTICE CONCERNING NOMINATIONS BEFORE COMMITTEE ON THE JUDICIARY

Mr. EASTLAND. Mr. President, the following nominations have been referred to and are now pending before the Committee on the Judiciary:

H. Moody Brickett, of Montana, to be U.S. attorney, district of Montana, term of 4 years—reappointment.

Leonard T. Heckathorn, of South Dakota, to be U.S. marshal, district of South Dakota, term of 4 years—reappointment.

Clayton Antitrust Act, the Federal Trade Commission bill, and the tariff bill.

You have done more.

I know the great record of the 73d Congress under Franklin Roosevelt. That record included the Emergency Relief Act, the Securities Act, the CCC Act, the Home Owner's Loan Corporation, the TVA, the Economy Act, the Agricultural Adjustment Act, NRA, and the FDIC.

You have done more.

From your committees and both your Houses have come the greatest outpouring of creative legislation in the history of this Nation.

You passed legislation to fulfill the century-old promise of emancipation. Today, where once men were afraid, they now walk proudly to the polling place.

You passed legislation to ease the burden of sickness and want for older Americans. Today, though millions must face old age, they are no longer dependent on kinfolks for their medical care.

You passed legislation that should brighten every classroom in America. Once the children of poverty began life on the hopeless road toward despair. Today they have a new chance to hope and to achieve.

You have promised to millions of American families better housing and better homes, and a rebirth for our cities.

You passed a poverty program so that poor families can train and work.

You passed a bill that will meet head on the Nation's top murderers—cancer, heart disease, and stroke.

You told our cities and our industries that they must stop polluting our water and poisoning our air.

You passed legislation to dam our rivers—to prevent floods, to produce power, and to provide beaches and playgrounds for our children.

You gave us the blueprints for a rapid rail system to carry our commuters to tomorrow.

You passed a farm bill that puts more income in the farmer's pocket and at the same time allows him to compete at home and abroad.

You passed an immigration bill that no longer asks a man "where do you come from?" but "what can you do?"

You have given local officials the tools to restore law and order on our streets.

You passed the excise tax reduction. In a little over 20 months, at current income levels, taxes have been cut a little over \$20 billion.

And tonight you serve notice on the spoilers of our landscape that we will battle with all we have to preserve the bounty of our land and the beauty of our countryside.

I read criticism in one newspaper not long ago that there was nothing new about what you have done. I read that you have simply enacted programs that have been "kicking around since New Deal days."

But let us look at the record.

This year you passed a voting rights bill that for the first time tears down the barriers of bias that barred the way to the polling booth.

This year you passed a program of rent supplements for low income families—a program which provides a brandnew approach to meet an ancient and long-neglected need.

This year you passed, and yesterday I signed, an act to establish heart, cancer, and stroke centers throughout the Nation. It is a new way to bring the miracles of medical research to the people.

This year you passed a law to establish the Arts and Humanities Foundation—a vital new beginning to stimulate the creative talent of our Nation.

Legislation to provide hospital services for the elderly has been before Congress for a long time. But you added a voluntary plan to furnish doctors' services. You made the

Medicare Act the biggest and boldest piece of health legislation ever to become law.

Federal aid to education is also a battle-scarred veteran in Congress. But the Elementary and Secondary Education Act of 1965 contains a wealth of new and imaginative ideas to enrich our Nation's schools.

It provides more money than any aid-to-education legislation ever considered by any Congress.

It offers every community a chance to bring the new techniques of teaching to the old art of learning.

The higher education bill, now in conference, also embodies daring new programs for dealing with old, old problems.

These bills and many more had their beginnings and their end in the 89th Congress.

The long list of major measures you have passed contains one example after another of new thinking, bold thinking, imaginative thinking. This has been the fabulous 89th Congress.

All of us know that much remains to be done. But you have begun a march which will not be stopped. You are on the way to a society which produces not only goods, but greatness.

It has been said that "great achievements raise a monument which shall endure until the sun grows cold." Those words, though they were written many years ago, belong to you.

You have honored the highest hopes of the Nation—and so tonight we honor you.

Many years ago Woodrow Wilson said of a Congress: "A little group of willful men, representing no opinion but their own, have rendered the Government of the United States helpless and contemptible."

Tonight, as we balance history's ledger, I want to say of the 89th Congress: "An inspired group of dedicated Americans, representing a sense of national purpose, have written for the United States a new chapter in greatness."

I want to say to every Member of the 89th Congress—Democrat or Republican—who wrote and supported this record: Your people will revere you and reward you, and the Nation will honor you long after you are gone.

HILDA SHEN TSIANG

Mr. FEIGHAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 10292) for the relief of Hilda Shen Tsiang.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The Clerk read the bill, as follows:

H.R. 10292

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Hilda Shen Tsiang shall be held and considered to have been lawfully admitted to the United States for permanent residence as of January 17, 1949, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

AMENDMENT OFFERED BY MR. FEIGHAN

Mr. FEIGHAN. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FEIGHAN: On page 1, line 6, strike out the date "January 17, 1949" and substitute in lieu thereof the

language "the date of the enactment of this Act".

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. ZABLOCKI. Mr. Speaker, I wish to commend the gentleman from Ohio [Mr. FEIGHAN] for calling up H.R. 10292, a bill for the relief of Hilda Shen Tsiang, the widow of Dr. Tingfu F. Tsiang, former Chinese Ambassador to the United States. I am sure all my colleagues will agree that the National Republic of China has lost an esteemed patriot and the world a distinguished statesman.

It was my privilege to have known Dr. Tsiang for some years. I first met him in New York in 1959 when he was the permanent representative of his Government to the United Nations. I found him a most impressive figure, particularly because of his skill and eloquence in putting forward the Nationalist Chinese case for the exclusion of the Peiping regime from the world organization.

These initial impressions were reinforced during the almost 3 years, from 1962 to June 1965, when Dr. Tsiang was Ambassador to the United States and stationed here in Washington.

The continuing excellent relations between our two governments owes much to the diplomatic finesse and warm personality of Dr. Tsiang. It was his final illness which caused his resignation from that post.

Dr. Tsiang first came to our shores in 1911. Taught English by Christian missionaries, he worked his way through Park Academy in Parkville, Mo. Later he obtained his college degree from Oberlin College in Ohio and received his doctorate in history from Columbia University.

A respected and dedicated scholar, Dr. Tsiang taught history at several universities in China after World War I. He joined the Nationalist Chinese Government and in 1936 was appointed Ambassador to the Soviet Union, a post he held for 3 years.

During his career Dr. Tsiang held many important positions in the Government of Chiang Kai-shek. Among them was the post as director of Chinese national relief and rehabilitation in 1945, at the end of the war. A devoted humanitarian, Dr. Tsiang was responsible for easing the misery of many thousands of his fellow countrymen.

Mr. Speaker, death has taken from us a firm friend of the United States, a renowned and esteemed world statesman, and a fine, upstanding man. Dr. Tsiang's loss is mourned here in the United States, as it is being mourned by his fellow countrymen on Taiwan and around the world.

I know that my colleagues in this body join me in expressing our deepest sympathy to Dr. Tsiang's widow and his family in this time of sorrow.

MEMBERS OF SELECT COMMISSION ON WESTERN HEMISPHERE IMMIGRATION

The SPEAKER. Pursuant to the provisions of section 21(a), Public Law 89-

236, the Chair appoints as members of the Select Commission on Western Hemisphere Immigration the following Members on the part of the House: Mr. CELLER, of New York; Mr. FEIGHAN, of Ohio; Mr. RODINO, of New Jersey; Mr. McCULLOCH, of Ohio; and Mr. MOORE, of West Virginia.

AUTHORIZATION FOR COMMITTEE ON PUBLIC WORKS TO HAVE UNTIL MIDNIGHT TONIGHT TO FILE REPORT ON H.R. 5026

Mr. FALLON. Mr. Speaker, I ask unanimous consent that the Committee on Public Works may have until midnight tonight to file the report on H.R. 5026, to authorize the Burt County Bridge Commission, a public body politic and corporate in the county of Burt and State of Nebraska, to refund the outstanding revenue bonds of said Burt County Bridge Commission heretofore issued to finance the cost of the construction of a bridge, together with the necessary approaches and appurtenances therefor, from a point located in the city of Decatur, Burt County, Nebr., across the Missouri River to a point located in Monona County, Iowa.

The SPEAKER. Is there objection to the request of the gentleman from Maryland [Mr. FALLON]?

There was no objection.

PERSONAL ANNOUNCEMENT

Mr. CABELL. Mr. Speaker, due to a longstanding engagement in my district, I knew it would be impossible for me to be on the floor to vote on S. 2084, the highway beautification bill, and I left a pair. Unfortunately, a mistake was made in entering that pair. I wish the RECORD to reflect that had I been present on the floor, I would have voted against passage of S. 2084 on the pair.

SUGAR ACT AMENDMENTS OF 1965

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 598 and ask for its immediate consideration.

The Clerk read as follows:

H. RES. 598

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be considered as having been read for amendment. No amendments shall be in order to said bill except amendments offered by the direction of the Committee on Agriculture; an amendment to page 12, after line 14, proposing to insert the following: "(h) Effective January 1, 1966 and notwithstanding any other provision of law, the quota of any country shall be reduced to zero for the balance of the period covered by this Act if any authorized person appearing or working in

the interest of such country in regard to sugar legislation is registered or required to be registered under the Foreign Agents Registration Act; except that the quota shall not be reduced below any treaty obligation.""; and an amendment on page 21 to strike out lines 8 and 9 and insert in lieu thereof: "SEC. 9. Section 213 of such Act is amended to read as follows:

CALL OF THE HOUSE

Mr. BELL. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 361]

Abbott	Frelinghuysen	Morrison
Anderson, Tenn	Fulton, Pa.	Murray
Andrews	Grider	Nix
George W.	Griffiths	O'Hara, Ill.
Andrews	Hagan, Ga.	Olson, Minn.
Glenn	Hagen, Calif.	Philbin
Annunzio	Hardy	Pool
Aspinall	Harris	Powell
Baring	Harvey, Ind.	Purcell
Bates	Hays	Rivers, S.C.
Bébert	Hébert	Roberts
Bingham	Hollifield	Rodino
Bonner	Holland	Satterfield
Brock	Hosmer	St Germain
Byrne, Pa.	Howard	Saylor
Cahill	Karh	Smith, Calif.
Carter	King, Utah	Steed
Cederberg	Kluczyński	Stephens
Clawson, Del	Krebs	Teague, Tex.
Clevenger	Lindsay	Thomas
Cunningham	Lipscomb	Thompson, N.J.
Curtis	Long, La.	Thompson, Tex.
Delaney	McEwen	Toll
Diggs	McVicker	Vivian
Dingell	Macdonald	Walker, Miss.
Donohue	Mackie, Mich.	White, Idaho
Dulski	Madden	Wright
Evans, Colo.	Marsh	Wyatt
Flood	Mathias	
Foley	Minish	

The SPEAKER pro tempore (Mr. ALBERT). On this rollcall 347 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CORRECTION OF ROLL CALL

Mr. MULTER. Mr. Speaker, on rollcall No. 358, on October 8, a quorum call, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

SUGAR ACT AMENDMENTS OF 1965

The SPEAKER pro tempore. The Clerk will continue the reading of the resolution.

The Clerk read as follows:

"SEC. 213. (a) As a condition for importing sugar into the continental United States pursuant to sections 202(c) and 204 of this Act, an import fee shall be paid to the United States, which fee shall be 75 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar at a level that will fulfill the domestic

price objective set forth in section 201, exceeds the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fees provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly except that the import fee imposed on any direct-consumption sugar shall be 1/2 of one cent per pound more than the import fee imposed on raw sugar under this paragraph. Such fees shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary. The Secretary shall promulgate regulations permitting any importer of sugar to apply for a quota set-aside, furnishing such security as the Secretary may require, which will fix the import fee for any sugar under his control to be imported at any time during a calendar year at the rate then in effect for such calendar year. The Secretary shall determine, from time to time, the rate of import fee and the initial such determination shall be made by October 1 in each year for the succeeding calendar year, except for the calendar year 1966, in which case such determination shall be made at the earliest practicable date.

"(b) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts.""; and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Agriculture may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment; nor shall the two additional amendments permitted under this rule be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. LATTI], pending which I yield myself such time as I may consume.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. SISK. Mr. Speaker, House Resolution 598 provides for consideration of H.R. 11135, a bill to amend and extend the provisions of the Sugar Act of 1948, as amended. The resolution provides a closed rule, waiving points of order, with 4 hours of debate, making in order two amendments, which shall not be subject to amendment.

H.R. 11135 modifies and extends the Sugar Act for 5 years, to December 31, 1971.

The sugar program of the U.S. Government is intended to do three things: first, make it possible, as a matter of national security, to produce a substantial portion of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; second, assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and third, permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assur-

ing a nearby stable and adequate store of sugar.

These major objectives have been achieved.

Under this act, more than 40 percent of our total consumption of sugar now is produced by beet and cane growers within the continental limits of the United States, and total domestic production—including Hawaii, Puerto Rico, and the Virgin Islands—fills 65 percent of our sugar needs. The sugar act has given us this security in supplies, and sugar prices to consumers have been remarkably stable during the lifetime of the act.

H.R. 11135 strengthens the program by temporarily assigning a greater portion of the U.S. market to domestic beet and cane producers, and by an equitable and dependable distribution of quotas, for the remainder of our market, among the producers of friendly nations, principally to good neighbor countries in the Western Hemisphere.

The bill rejects the "global quota" concept of foreign sugar purchases which contributed in 1963-64 to the only peacetime domestic sugar crisis during the life of the act, and it reestablishes the tried and long-proven quota system on a country-by-country basis.

The bill, as reported rejects the import fee, and thereby aims to restore to these countries the opportunity to sell sugar in the U.S. market at the American price. One of the amendments made in order by the rule would require an import fee.

To accomplish supply and price insurance for the American consumer H.R. 11135 would increase marketing quotas for domestic areas by 580,000 tons beginning with the current year, but would assign all market growth to the foreign quotas until such quotas reach approximately the same proportion of the market as provided under the current act.

With annual national requirements of 9.7 million tons the marketing quota for the domestic beet sugar area would be increased by 375,000 tons to 3,025,000 tons and the quota for the mainland cane-sugar area, by 205,000 tons to 1,100,000 tons. These quotas would be unaffected by any change in requirements between 9.7 and 10.4 million tons but would absorb 65 percent of any reduction from or addition to requirements outside of that range, apportioned between the two areas in relation to their basic quotas.

Mr. Speaker, I urge that House Resolution 598 be adopted in order that we may consider H.R. 11135.

Mr. Speaker, there has been a great deal of discussion and controversy surrounding this act over the years. Certainly experience, it seems to me, has proven beyond any question of doubt that the act basically has given to the American consumer and the American housewife a stable supply of sugar at a stable price; not one that was going way up one year and way down the next.

Because of this, Mr. Speaker, I urge the adoption of this resolution.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. SISK. I will be glad to yield to the gentleman from Iowa.

Mr. GROSS. I would appreciate it if the gentleman would tell the House why

this bill comes to us under a closed rule, and whether he agrees that the extension of the act ought to be for a period of 5 years.

Mr. SISK. Let me say to my friend from Iowa, first, that I believe to bring this bill to the floor of the House under an open rule, where you would have a lengthy discussion on each one of these national quotas, would mean that we would find ourselves involved in a foreign policy debate here which might go on and on. Very frankly I have been one who basically likes open rules, so that the House can work its will. However, I do believe as I understand the problems here in connection with this country-by-country quota, that if we opened it up I can see some situations developing which would affect our relations, particularly with Latin American countries, which would not be in the best interests of our country.

I might say that this is my basic reason for supporting, in this instance, a closed rule, of course, waiving points of order. I know that my good friend has always disliked this procedure. As the gentleman I am sure knows, there are certain taxes involved which basically would fall under the jurisdiction of the Committee on Ways and Means. That is the purpose and the reason for waiving points of order.

Mr. SMITH of Virginia. Mr. Speaker, will the gentleman yield to me?

Mr. SISK. I am very glad to yield to the distinguished chairman of the committee.

Mr. SMITH of Virginia. Mr. Speaker, I might say in that connection for the information of my friend from Iowa that there are certain tax features connected with this bill. It has been the custom for years and years that all tax bills come out with a closed rule. Such bills involve complications which make it almost impossible to arrive at a satisfactory legislative conclusion, in view of all the ramifications, except under a closed rule. That is the basic reason why the Committee on Rules approved a closed rule, in addition to the very cogent reason given by the gentleman from California.

Mr. SISK. I appreciate the statement of my distinguished chairman, the gentleman from Virginia, and I join with him in those remarks.

Mr. GROSS. Mr. Speaker, will the gentleman yield further?

Mr. SISK. I yield to the gentleman from Iowa.

Mr. GROSS. Whatever merit there may be—and I think it is questionable—with respect to the tax features of this bill, the merit certainly does not extend, in my humble opinion, to a closed rule with respect to the attempt to stifle amendments dealing with the quota system. I cannot agree with my friend from California that the House is not competent to discuss foreign policy as it relates to quotas under this or any other bill. I regret very much that the closed rule applies to the quota system as here applied.

Mr. SISK. Mr. Speaker, I appreciate the statement of my friend and colleague from Iowa, and as one who loves this House and who has great respect for it

and great respect for every individual Member here, I do not question the responsibility of the Members to discuss in a proper way matters with which we are concerned here. However, as the gentleman from Virginia [Mr. SMITH] has rather well stated, there are matters of taxation involved and particularly, as I mentioned earlier, matters of foreign affairs which, frankly, in a rather delicate state in certain areas of the world right now as concern the items involved here.

It seems to me simply that it would not be in the best interests to get into a full-scale debate at this time pitting one country against another as these quotas would be reflected thereby.

Mrs. MAY. Mr. Speaker, will the gentleman yield?

Mr. SISK. I am glad to yield to the gentlewoman from Washington.

Mrs. MAY. Mr. Speaker, in answer to the gentleman from Iowa, my good colleague [Mr. GROSS], I think he knows my voting record on closed rules. He knows that I am basically opposed to closed rules and as I recall have never since being a Member of this House favored a closed rule or voted for one. But I will say as one who has served on the Committee on Agriculture for 7 years, and who has seen that committee struggling with this problem of what is really almost a tariff type of legislation in connection with the many countries involved, that this may be one exception for those of use who are in principle violently against closed rules.

I should like to say, reluctant as we may be to support a closed rule, that in this case this type of rule is the only way that we can handle the matter practically.

Mr. SISK. Mr. Speaker, I thank the gentlewoman from Washington very much for that statement.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. SISK. I am glad to yield to the gentleman from Missouri.

Mr. HALL. Mr. Speaker, I appreciate the gentleman from California yielding. However, I want to change the subject. I am opposed to closed rules, although I understand the extenuating circumstances. But the question I would like to raise is this: I understood the gentleman from California to say that our Sugar Act in the past and, perhaps, the gentleman believes this bill, will stabilize the flow of sugar to the housewives of the Nation.

Will the gentleman from California agree with me that whether it produces an adequate flow or not, it certainly has upset the stable prices and has raised to between 8 and 11 cents a pound, vis-a-vis the Canadian price of sugar to the housewife or the difference of \$2 per 1 hundredweight world market price, and \$5.50 per 1 hundredweight in the United States?

Mr. SISK. If the gentleman from Missouri will defer that question, I might say that the gentleman from Louisiana [Mr. WILLIS]—I do not see the gentleman on the floor at the moment—later I am sure will be speaking and he has some figures that are rather amazing.

Mr. Speaker, let me say to my good friend that the figures which he quotes as I understood them are correct as of this moment. But, if the gentleman will look back over the history of this act—and I believe he has only to go back to last year—the price of sugar in Canada was substantially, as I recall, some 5 or 6 cents a pound higher than it was in the United States. And, when we examine country by country around the world, we will find just as many countries today in which the price is substantially above the price being paid by the American housewife, as there are those where you will find a lower price. So that actually it is my firm conviction, after having studied the history of the act over the past 10 years, during the ebb and flow of world prices as between one country and another, this act has been good for the American consumer.

Mr. Speaker, as I say, the gentleman from Louisiana [Mr. WILLIS] and other members of the committee with whom I have discussed this matter have far more information than I have on that particular item and I would hope that the gentleman from Missouri will be here particularly when the gentleman from Louisiana [Mr. WILLIS] makes his presentation because he does have some very fine information on the subject.

Mr. HALL. Mr. Speaker, if the gentleman will yield further, the gentleman does not need to worry, as I am always here. I appreciate the gentleman's explanation which has covered the past few years. I believe, however, that the gentleman will agree with me that since World War I we have been susceptible as consumers to fluctuating sugar prices, and especially since the London control of the international cartel on coffee which has cost us some 30 cents a pound, was confirmed by vote in this House, that as consumers and lawmakers we should look at this very closely.

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, in view of the discussion that has just taken place concerning the price of sugar, I call the attention of the Members of the House to page 10 of the report by the committee, the second paragraph, under "Consumers."

The committee reports that—

The Sugar Act is an insurance policy on adequate supplies at reasonable prices for American consumers. Under the program, the consumption of sugar in the United States has increased from 6,574,000 tons in 1934 to an estimated 10 million tons in 1965. Under the program, the per capita use of sugar in the United States is three times the per capita consumption around the world. Under the program, American consumers enjoy lower prices for sugar than consumers in virtually all nations that do not produce their entire sugar needs. On January 1, 1965, the retail price of a pound of sugar in the United States averaged 11.64 cents, in France 12.6 cents, Italy 16 cents, Japan 14.2 cents, United Kingdom 11.1 cents, West Germany 14 cents, Sweden 15 cents, and Yugoslavia 13.3 cents.

Mr. VANIK. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I would be glad to yield to the gentleman from Ohio.

Mr. VANIK. I would like to inquire of my colleague, my distinguished friend from Ohio, whether or not the price that he quotes in foreign countries is not the result of a tariff structure rather than as a contributing factor to the prices that the gentleman has just established as the consumer prices in those countries?

Mr. LATTA. I am not prepared to say whether or not these various countries have a tariff. They might have.

The price the consumer has to pay is what the discussion was all about, what the American housewife has to pay for sugar as compared to what they have to pay in France, Sweden, Germany, and so forth.

I think this is one act, even though I disagree with some provisions of the bill, H.R. 11135—this is one act that has netted a profit to the American taxpayer. I think the exact figures on this will be brought out during the discussion on the bill.

Mr. RESNICK. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman.

Mr. RESNICK. While it is true that it has netted a profit to the American taxpayers; is it not true that the American consumer is paying for the difference?

Mr. LATTA. The American consumer pays the difference but the American consumer would also pay a higher price when the world supply demanded it if we did not have a Sugar Act. Under the Sugar Act, as we have been operating for the past several years, they are assured of a given price on a given date and are not subject to the price fluctuations that would take place without it. This happened just a few months back.

Mr. RESNICK. If the gentleman will yield further, is it not true that they do not get any fluctuation because the price of sugar is fixed at a relatively high level?

Mr. LATTA. That is the way we assure the American consumers of an adequate supply of sugar at a reasonable price in this bill.

I might say there has been a lot of adverse publicity put out on this bill and, therefore, I think it is high time that we discussed some of the provisions of the bill.

Mrs. MAY. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman.

Mrs. MAY. I realize the gentleman is going into another important facet of the subject, but I think in view of the colloquy that has just taken place we should at this time make the point, as to U.S. consumer prices, which of course concern all of us, that a fairer way of gaging the reasonableness of prices paid for sugar by our U.S. consumers is to compare the prices actually paid by consumers here and housewives or other consumers in other nations around the world. Every such study in recent years has shown that U.S. consumers pay less per pound than the average price per pound paid

by consumers in other leading countries around the world.

I have just a few examples here, if the gentleman will allow me to name some of them. For example, on January 1 of this year the retail sugar prices in a score of nations around the world averaged out at 12.2 cents per pound. While the American housewife paid 11.6 cents per pound. In other countries, for example, Italy, sugar cost 16 cents per pound. In Sweden, 15 cents; West Germany, 14.2 cents; the Netherlands, 14 cents; Belgium, 13.9 cents; France 12.6 cents; Switzerland, 11.2 cents; United Kingdom, 11.1 cents; Australia, 10.2 cents.

If you measure sugar prices on the basis of the amount of worktime that a laborer puts in on his job in order to earn enough money to buy a pound of sugar, you will then find that sugar prices in the United States are the lowest in the world.

I might say this has been shown repeatedly in studies by both the United Nations and the National Industrial Conference Board. Also surveys throughout the United States show that in the American food basket sugar has remained probably the most stable or at least one of the most stable food commodities as to price over a period of many decades—outside of wartime, of course. This as compared to the other food commodities in the food basket that the American housewife carries out of the grocery store.

Mr. LATTA. I thank the gentlewoman from Washington for her very valuable contribution.

Mr. RESNICK. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I am pleased to yield to the gentleman from New York.

Mr. RESNICK. Is it not true, I would like to ask the gentlewoman from Washington, that these countries to which she has referred are buying this sugar on the open market at 2 cents a pound and the reason for the high prices in these other foreign countries is because of the tariff arrangements and not because of the cost of the sugar.

I would like to point out further that my colleague, the gentleman from Illinois [Mr. FINDLEY] during his testimony before the Committee on Rules pointed out that in Canada sugar costs 8 cents a pound while here in this country it costs 11 cents a pound. So the high cost of sugar in foreign countries is not due to the cost of the acquisition of the sugar but because of the tariff being too high.

Mr. LATTA. I thank the gentleman for his contribution. Let me say again what I said at the outset of my remarks. I do not agree with all the provisions of H.R. 11135. If I had my way in writing this bill, I would make certain changes.

This bill extends the Sugar Act for a period of 5 years. The Sugar Act does not expire until December 31, 1966. So the bill would extend it until December 31, 1971. The appropriate provisions of the Internal Revenue Code would be extended until June 30, 1972.

The bill would give domestic producers some 60 percent and foreign produc-

ers some 40 percent of the U.S. sugar market, starting at 9.7 million tons. The growth in the U.S. market, up to 10.4 million tons, would go to foreign producers. After that, domestic areas would get 65 percent of the growth.

Quotas for domestic areas would be increased from the present levels by 375,000 tons for beets and 205,000 tons for cane. All domestic deficits would go to foreign producers, and all foreign deficits would go to foreign producers. This is one feature of the bill that, if I had my way in writing the legislation, I would change. I would give all of these deficits to the domestic producers. But that is not the way the bill is written.

Foreign quotas are established by using the basis of the 1962 sugar law. The administration had proposed foreign quotas on the basis of a formula using 1963 and 1964 as a basis.

Let me stop to comment that this is a country-by-country quota bill and not a global quota bill, which the administration requested and received from the Congress a couple of years ago. The administration found out that a global quota would not work. It did not work, and now the administration is supporting a country-by-country quota bill, which proves that the Committee on Agriculture did the right thing a couple of years ago when they objected to the global quota idea, but were overruled in the other body and by the administration.

Mr. TEAGUE of California. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I am pleased to yield to the gentleman from California.

Mr. TEAGUE of California. I should like to call to the attention of the Members of the House that there is available on the desks on each side of the aisle a committee print which just came out today entitled "The Development of Foreign Sugar Quotas in H.R. 11135." This committee print was written and signed by the members of the special subcommittee which worked on this problem. I happen to be one of those members. I think if the Members will read this committee print before voting time arrives, it might be enlightening.

I thank the gentleman.

Mr. LATTA. Under the provisions of H.R. 11135, all the Cuban reserve is allocated. The import fees are not included in this bill. I will discuss this further in a moment. A special reserve is set aside for domestic beet and cane sugar processors to allow for adjustments for certain minimum production. It extends and amends the provisions of the present law dealing with expropriation of American-owned property in foreign countries. It eliminates the quotas for Belgium and Ireland.

Let me come now to the resolution bringing this bill to the House and say that I agree with the Rules Committee in its wisdom in granting a closed rule with certain amendments being permitted. For the Rules Committee to grant an open rule on a bill of this nature would have been ridiculous. We would have had 435 Members of this

House with 435 different ideas as to how many tons of sugar should go to each sugar producing country in the world.

If the Members will look at page 56 of the report of the committee, they will find that the Agriculture Committee made some changes in the quotas for various countries and there has been a great deal of discussion about these changes. What kind of prolonged discussion would we have if all 435 Members of the House were making amendments to incorporate their individual thoughts on this foreign quota matter alone.

One amendment made in order by the Committee on Rules is:

Effective January 1, 1966, and notwithstanding any other provision of law, the quota of any country shall be reduced to zero for the balance of the period covered by this act if any authorized person appearing or working in the interest of such country in regard to sugar legislation is registered or required to be registered under the Foreign Agents Registration Act; except that the quota shall not be reduced below any treaty obligation.

This is one of the Findley amendments. I support it but would have liked to see the amendment go further. If we are going to rule out lobbyists of foreign countries, perhaps, if this is possible, we should also rule out lobbyists for the domestic interests.

Mr. FINDLEY. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Illinois.

Mr. FINDLEY. I thank the gentleman from Ohio for indicating his support of this amendment. I also wish to express my appreciation to the Rules Committee for its unusual action in making in order not only this amendment but also a second amendment, which I presented to the Rules Committee for its consideration. The second amendment deals with the import fee.

Ordinarily I do oppose closed rules, but under these circumstances the two amendments which have been made in order for consideration, in my opinion, constitute such a tremendous stride forward in putting this act on a proper basis and removing the cloud of doubt and suspicion which hangs over the legislation that I do urge the adoption of this resolution so that we can proceed with the debate and the consideration of amendments.

I thank the gentleman.

Mr. LATTA. I thank the gentleman for his statement.

Further, in reference to the matter of lobbying, we have read a lot in the past few weeks about lobbying on this bill. I commend the Committee on Agriculture for not taking the so-called administration bill, which was sent down here, and for working its will, which it is supposed to do, on this legislation. Whether or not we agree with the final product the Agriculture Committee has come up with, it has worked its will. The important fact is that the Committee on Agriculture did not rubberstamp a proposal sent down here by the administration.

From all that I have been able to learn of this so-called administration bill, if we are going to label any of these bills a "lobbyist bill," it is the lobbyist bill. Why? They would not even send a bill down to the Committee on Agriculture for consideration until they had had all of these lobbyists in and jointly agreed on a bill. Then the lobbyists all came in and said, "This is it, we support it, and oppose all amendments."

Now, why all the "heat?" We get the "heat" because the Committee on Agriculture fulfilled its legislative responsibilities and dared to change a few insignificant features of this bill.

I for one, as a Member of the House, want to salute the Committee on Agriculture for not knuckling down to these big lobbyists—and there were some big ones in here—for not taking the bill just as it was written down town by the administration and the big lobbyists. I hope that in the future the committee will continue to work its will on legislation and will not turn this responsibility over to the administration and the sugar lobbyists.

I will say further on the matter of lobbying that I am not bothered by many of them but I did have a certain lobbyist from the beet industry tell me to my face after the Agriculture Committee worked its will, that they are going to have to go over to the Senate and "correct" the amendments that were made by the House Agriculture Committee, because they were not endorsed by big lobbyists.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Iowa.

Mr. GROSS. Is it possible that the executive branch of Government has been in league with these lobbyists?

Mr. LATTA. I am not saying that in so many words. The gentleman can interpret my position from my remarks. It is interesting to note that we had very few witnesses before our committee from the industry, and we had very few individuals appear before the committee in opposition to the bill.

A few of them did dare to come before the committee and say that they did not agree with all of the conclusions reached during these administration discussions, and had some reservations about it. I think that the committee saw their individual problems and measured up to its responsibilities in keeping these small companies stay in business. I say whether or not we agree with everything the committee come up with, it did carry out its legislative responsibilities, and I commend the committee for so doing.

The second Findley amendment, made in order by the Committee on Rules, reads as follows:

Sec. 213. (a) As a condition for importing sugar into the continental United States pursuant to sections 202(c) and 204 of this Act, an import fee shall be paid to the United States, which fee shall be 75 percentum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar at a level that will fulfill the

domestic price objective set forth in section 201, exceeds the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fees provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly except that the import fee imposed on any direct-consumption sugar shall be one-half of 1 cent per pound more than the import fee imposed on raw sugar under this paragraph. Such fees shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary. The Secretary shall promulgate regulations permitting any importer of sugar to apply for a quota set-aside, furnishing such security as the Secretary may require, which will fix the import fee for any sugar under his control to be imported at any time during a calendar year at the rate then in effect for such calendar year. The Secretary shall determine, from time to time, the rate of import fee and the initial such determination shall be made by October 1 in each year for the succeeding calendar year, except for the calendar year 1966, in which case such determination shall be made at the earliest practicable date.

(b) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts.

Let me say at this point that when the lobbyists met with the administration, they agreed with the administration to take out the import fee. This was not an action of the House Committee on Agriculture. It was not in the bill when it was presented to the committee by the administration.

Mr. FINDLEY. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I will be glad to yield to the gentleman from Illinois.

Mr. FINDLEY. I thank the gentleman for yielding.

A little history on the language of the amendment which you have just read might be of interest to the House. This language was included in proposed legislation recommended to the administration and the Congress by the domestic sugar industry. This included the refiners and beet and cane producers. They issued the statement on March 28 in which they did not accept or agree, but recommended an import fee. I lifted the very language for this import fee out of their legislative proposal, making only the changes as to the level, that is, 75 percent, and providing for the problem represented by the delayed enactment of this bill to enable the Secretary to set forth his determination in time for the 1966 apportionment. However, the language of this amendment came out of the proposal of the domestic sugar industry which they made on March 28. They recommended this import fee at that time. If they really meant what they said on March 28 I wonder if they mean what they say now when they say they are opposed to an import fee.

Mr. LATTA. I thank the gentleman, and let me say further that as I understand your amendment, you are asking for only 75 percent of the import fee rather than 100 percent. I understand that this import fee amounts to about \$80 million a year and I would prefer to continue to collect all of it.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I will yield to the chairman of the committee.

Mr. COOLEY. The bill referred to by the gentleman from Illinois [Mr. FINDLEY] was never sent to our committee. As the gentleman from Ohio pointed out, the bill which we received from the administration did not have any import fee in it, and the witness, speaking for the administration, supported the bill without the import fee in our committee room. The domestic producers appeared there and presented their views through one spokesman, Mr. Frank Kemp, of Colorado, who spoke for all segments of the domestic industry, and said that he would have no part of the import fee, and it was none of the domestic industry's business, and that they were not concerned in it, or words to that effect.

Mr. FINDLEY. Mr. Speaker, will the gentleman yield further?

Mr. LATTA. I yield to the gentleman.

Mr. FINDLEY. I wonder if the chairman of the Committee on Agriculture will clear up a little point in respect to the history of this legislative proposal that came from the domestic sugar industry?

I have heard it said that the reason why this proposal did not come to the Committee on Agriculture was because the chairman of the Committee on Agriculture would not accept it if it had an import fee as a part of it.

Mr. COOLEY. There is no secret about that. I made a public statement and a public speech indicating that I thought it was impossible and unbelievable that we would use that import fee in this sugar bill; that it would cut across all of our international relations and would be calculated to offend our best neighbors, our best customers, and our best allies. And when I said that—and I am not conceited enough to believe that I shook the foundations of the whole administration from the ground to the White House—but the gentleman knows, and I know that the President is opposed to it, the Secretary of Agriculture is, and the Secretary of State told me less than 2 hours ago that he is against it. And yet the gentleman wants to put it into the bill over everybody's opposition.

Mr. FINDLEY. Mr. Speaker, if the gentleman will yield to me, the fact is that last March 28 the domestic sugar industry, acting upon the request of the administration, to quote their press release, said that certain key Members of Congress did present this language to the administration, and subsequent to that—

Mr. COOLEY. What key Members of Congress?

Mr. FINDLEY. I can only quote the release of the domestic sugar industry in which they recommended an import fee; and in reciting the position of the administration, I think in fairness we ought to point out that less than a year ago the Secretary of Agriculture made an announcement which I understand was fully cleared with the White House

in which it was made plain that an import fee would be a part of the legislation.

Mr. COOLEY. Mr. Speaker, if the gentleman will yield further, the point that I want to make is that no one now recommends the import fee except the gentleman from Illinois, that I know of.

Mr. FINDLEY. Mr. Speaker, I assure the gentleman that there are many people who would like to see the import fee placed in this legislation. Included are a good many newspapers across the country, a good many people who have taken the trouble to write to me and to encourage me in my effort to take some of the pure profit out of the foreign sugar projects.

Mr. Speaker, I thank the gentleman for yielding.

Mr. WILLIS. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman.

Mr. WILLIS. Mr. Speaker, I think it is correct that at one time the domestic sugar industry had views in favor of an import fee. They had the good sense, in my opinion, to change their views. Now they are opposed, as are the refiners, the best and cane sugar people, and the administration, and apparently the vast majority of the House Committee on Agriculture.

In connection with the views expressed at one time by the domestic sugar industry on import fees, I point out that their recommendation set a limit of 1 cent per pound.

The proposal now before us, which cannot be amended under the parliamentary situation, would fix an import fee of 75 percent of the difference between the domestic and the world market price. Assume, for instance, that today the domestic price is \$6.80 per hundred pounds raw sugar. Assume that the world market today is \$2.80 per hundred pounds raw sugar. The difference is \$4. Three-fourths of \$4 in any man's book is \$3. The cost to produce that sugar is more than \$3. The gentleman is therefore proposing an amendment to impose an import fee exceeding the cost of production of that offshore sugar that we are talking about.

Furthermore, we went through a trial period under global quotas, and an import fee. What happened? Two or three years ago, under that mechanism, the price of world sugar, the price in the world market, shot up above the domestic price and it stayed there. The price of sugar in the United States went up to 14 cents a pound.

The price of sugar in Canada went up to 18 cents a pound. We were in a situation of seeing the American domestic sugar, whose price is usually higher than the world price, being carted by trucks across the Canadian line.

And, in order to stop that we had to impose an export license on the shipment of domestic sugar out of this country. So, that is what this import fee is about.

Mr. LATTA. I want to thank the gentleman from Louisiana, but my time is about consumed. I do want the RECORD to show that most of the Republicans

voted to reimpose the import fee. Certainly, I for one, am not for abolishing it. Mr. Speaker, I reserve the balance of my time.

Mr. SISK. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio [Mr. VANIK].

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. VANIK. Mr. Speaker, I am opposed to the rule and the bill.

Mr. Speaker, I want to commend the gentlemen from New York in opposing the rule and the legislation it would bring to the floor. By its built-in limitations, the rule will not permit consideration of an acceptable bill.

This legislation is offensive because it provides the domestic sugar industry with an unwarranted protective tariff insuring both high prices and a limitation on foreign export. No other agricultural crop receives such tender treatment.

The legislation is also offensive because it provides a system of foreign import quotas to so-called friendly countries. I have always supported foreign aid, but I prefer to make it direct and on the record instead of a sugar tax imposed upon every pound of sugar by American consumers.

This Congress has been a "sugar daddy" for too long a time. This bill would constitute a dreadful mistake at the expense of the American consumers.

Mr. SISK. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. RESNICK].

(Mr. RESNICK asked and was given permission to revise and extend his remarks.)

Mr. RESNICK. Mr. Speaker, in light of the sugar legislation now being considered by this House—

CALL OF THE HOUSE

Mr. TEAGUE of California. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore (Mr. ALBERT). Evidently, a quorum is not present.

Mr. COOLEY. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 362]

Abbitt	Conte	Hébert
Adair	Cunningham	Holifield
Adams	Curtis	Holland
Anderson, Tenn	Delaney	Hosmer
Andrews,	Diggs	Howard
George W.	Dingell	Irwin
Annunzio	Donohue	Johnson, Okla.
Aspinall	Dulski	King, Utah
Baring	Edwards, Ala.	Kluczyński
Bates	Edwards, Calif.	Krebs
Battin	Evans, Colo.	Landrum
Bingham	Flood	Leggett
Blatnik	Foley	Lindsay
Bolton	Frelinghuysen	Lipscomb
Bonner	Fulton, Pa.	Long, La.
Brock	Goodell	McClory
Brown, Calif.	Grider	McEwen
Byrne, Pa.	Griffiths	McVicker
Cahill	Hagan, Ga.	Macdonald
Carter	Hagen, Calif.	Mackie
Casey	Hansen, Wash.	Madden
Celler	Hardy	Marsh
Chelf	Harris	Mathias
Clawson, Del	Harvey, Ind.	Miller
Clevenger	Hays	Minish

Morrison	Roberts	Thompson, N.J.
Murray	Rodino	Thompson, Tex.
Nix	Satterfield	Toll
O'Hara, Ill.	St Germain	Vivian
Olson, Minn.	Saylor	Walker, Miss.
Patman	Smith, Calif.	White, Idaho
Philbin	Springer	Wright
Reuss	Teague, Tex.	Wyatt
Rivers, S.C.	Thomas	

The SPEAKER pro tempore (Mr. ALBERT). On this rollcall 332 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

PUBLIC WORKS APPROPRIATION BILL, 1966

Mr. KIRWAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 9220) making appropriations for certain civil functions administered by the Department of Defense, the Panama Canal, certain agencies of the Department of the Interior, the Atomic Energy Commission, the St. Lawrence Seaway Development Corporation, the Tennessee Valley Authority, and the Delaware River Basin Commission, for the fiscal year ending June 30, 1965, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and agree to the conference asked by the Senate.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio? The Chair hears none and, without objection, appoints the following conferees: Messrs. KIRWAN, FOGARTY, EVINS of Tennessee, BOLAND, WHITTEN, MAHON, RHODES of Arizona, DAVIS of Wisconsin, ROBISON, and Bow.

There was no objection.

CONFERENCE REPORT ON H.R. 9220

Mr. KIRWAN. Mr. Speaker, I ask unanimous consent that the managers on the part of the House have until midnight Thursday to file a conference report on the bill H.R. 9220.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

SUGAR ACT AMENDMENTS OF 1965

The SPEAKER pro tempore. The Chair recognizes the gentleman from New York [Mr. RESNICK].

Mr. RESNICK. Mr. Speaker, the sugar legislation now being considered by the House has aroused more than usual attention. And for good reason. There has been considerable discussion about what is wrong with the bill reported out by the Agriculture Committee. I am more inclined to ask what is right about it, because it is one of the most mystifying pieces of patchwork legislation we have seen in a long time.

I would like to point out at this time that this is not an administration bill that has been reported out.

I am frankly disturbed over the fact that there seems to have been an attitude expressed that this bill is too complicated for the Members to understand, and that we are expected to simply rubberstamp the decisions made by a handful of men

gifted with superior vision, intelligence, and understanding. I am not willing to accept such a role, and I doubt that any other Congressman is either. We are here to think for ourselves.

I am also greatly disturbed over the manner in which this costly and far-reaching legislation is being presented to us. It is a first-class blackjack job. In voting on this bill we must choose between all or nothing and we are told in a dark and threatening tone that to reject this bill would bring chaos to both foreign and domestic sugar markets. These threats are false, as we will see later on.

Our action on sugar legislation has great international significance. It involves the parceling out of the foreign share of our sugar market to more than 30 countries. This raises the most delicate issues of foreign relations, and has a direct bearing on the economic well-being of many of our friends abroad. At current prices, \$2 billion in premium payments over the next 5 years are involved. The committee bill virtually throws the administration's foreign quota proposal out the window and establishes new ones. Logical reasoning lay behind the administration's quotas, and they approached the problem with great care. The administration decided to use a strictly objective formula, and fortunately there was one at hand. During the years 1963 and 1964 sugar prices in the world market were more attractive than our own. These were years when every foreign country had an opportunity to ship to the United States without any restrictions. Many did, and at lower prices than they could have obtained in other markets of the world. Their willingness to do so stabilized our prices and supply at a time when world markets were chaotic.

Accordingly, the administration recognized their cooperation by proposing that foreign quotas be allocated on the actual record of performance by foreign countries in exporting sugar to the United States during these 2 years. Though some countries may not like the result of this formula, no one can question its fairness, and no one can complain of favoritism. As far as I know, no one did complain. Each country realized that it had really made its own quotas, and that this was a fair and equitable solution.

But now, we are suddenly asked to take a completely different set of quotas as decided by the Agriculture Committee—quotas that were established on the wings of personal whimsy, without a yardstick, without logic, without a formula, and without consistency.

Let me illustrate. The committee has granted the Bahamas a 10,000-ton special quota, even though that country did not ask for one and, as a matter of fact, grows no sugar cane. This quota exceeds the allotment of more than half the processors in the State of Louisiana. With sugar in substantial surplus throughout the world what justification is there for encouraging a new sugar enterprise in a country that has never grown any—and keep in mind that this quota to the Bahamas deprives other countries of quotas they have earned on the basis of past performance.

This is just one example. The committee changed the quota for every country except the Republic of the Philippines which were protected by treaty.

For some countries the changes were smaller but for others they were staggering. Venezuela, for example, got more than 10 times what its 1963-64 performance warranted. In contrast, Argentina, a country that shipped us sugar when we needed it, was cut by two-thirds. In another case, Thailand, which has yet to ship a single pound of sugar into the United States, received a quota of almost 20,000 tons. Ireland, on the other hand, was effectively prevented from exporting any part of its quota to the United States.

When unjustified new quotas are established or old quotas increased, legitimate quotas to other countries must be severely cut back. Even more than the monetary loss is the damage to U.S. prestige, because a world leader is expected to act logically and to honor its obligations.

The foreign quota provisions of this bill have received the most publicity and criticism. But they are not the only bad aspects of the bill. On the contrary, it contains a number of strange and perplexing provisions on the domestic side which are damaging to the interest of American producers and the U.S. Government which will be discussed later.

Furthermore, the bill weakens the protection provided for consumers. As originally recommended in the administration bill, the Government would be able to get sugar in an emergency on a first-come, first-served basis. The value of this provision has been destroyed in the committee bill by a requirement that the Secretary, in exercising it, must give special consideration to countries which agree to purchase additional U.S. agricultural products, whatever this means. Such consideration would, of course, require an open offer with a time period for countries to submit their bids. During this time lapse, other sugar importing countries, knowing that the United States is in the market for a substantial quantity of sugar, would go into the market immediately. The United States would have to sit by, however, awaiting receipt of offers to purchase U.S. agricultural commodities. By this time, the sugar would be long gone. The first-come, first-served provision is worthless as a result of this requirement. It would become an administrative monstrosity.

Finally, the bill would also weaken the protection for domestic producers of sugar crops. In its bill, the administration requested authority to impose quarterly limitations on total imports when needed to keep markets stable. This recommendation has been deleted. In its report, the committee indicated its belief that if the annual limitation of supply, as provided, did not successfully support prices, the Secretary could then resort to time limitations within the year.

There is no way to accurately predict what the net effect of this might be but this much is clear: It greatly weakens the ability of the Secretary of Agriculture to manage the supply of sugar, and consequently the price of sugar, in the

United States. And, like so many other mystifying provisions of this bill, for no apparent reason.

Mr. Speaker, this is important legislation. Every consumer of sugar is affected. Our foreign relations are affected, domestic producers and processors are affected.

In voting on this bill, we are being asked to take all or nothing, and then being told that nothing would mean chaos. How much validity is there to this threat—this unwarranted ultimatum? The fact is that we can reject this bill without causing the slightest ripple in the sugar market. Because if this bill is rejected, the present quotas would automatically be extended for another year. There would be a lot of disappointed lobbyists floating around town—but that is about all.

True, we should keep in mind that the new bill provides for increased domestic sugar allotment following commitments made by the administration to domestic producers. Based on these commitments, domestic producers have already taken steps to expand production. In order to protect these producers, a new bill increasing domestic sugar allotments would have to be passed. But this could simply be lifted out of the existing bill, and would not have to be tied with foreign quotas in any way.

After the committee's sugar bill is defeated, I would like to see a Presidential commission established to study, redefine, and reshape our entire sugar policy. It is time we put an end to this degrading, periodic "beggar's opera" that brings the representatives of sovereign nations to the Halls of Congress, hat in hand, to plead for a piece of the American sugar pie. It is unbecoming to them, and it is an embarrassment to us.

Mr. SISK. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Speaker, I simply want the Members of the House to understand the facts. I fear that our colleague who has just addressed us has devoted himself more to the reading of newspapers than to a reading of the official documents.

I can understand that on the part of the ordinary Member of the House, but when a Member attempts to give us information, it seems to me he should go to the source of information, and be especially careful that his statements are accurate.

The gentleman has just stated that we have no way of knowing whether the Bahamas would accept a quota or not. Here is a letter from the British Embassy written on August 20, 1965, to our State Department. It reads in part as follows:

My purpose in passing this information on to you is to acquaint you with the Bahamas' plans and with the fact that the Premier and the Governor of the Bahamas hope that the application made on behalf of Owens-Illinois for a sugar quota on behalf of the Bahamas would, when the time comes, receive the sympathetic consideration of the U.S. Government.

Mr. Speaker, it seems to me right clear that if the gentleman wanted to resolve

the question—whether the Bahamas would accept a quota or not—the best evidence is what their diplomatic representatives here in Washington say and not what some newspaper may have said.

Here is the statement—I hold it in my hand and any Member can come and look at it.

Mr. RESNICK. Mr. Speaker, will the gentleman yield for a question?

Mr. POAGE. I yield to the gentleman.

Mr. RESNICK. Would the gentleman agree that this is the first time this letter is available and that all during the hearings and all during the controversy following and on this Bahama quota that this is the first time this letter is mentioned.

Mr. POAGE. I do not think this is the first time this letter has been available. I think it would have been available to the gentleman any time he sought to inquire about it. He has spoken as one who is in a position to give definite information. This letter, as I mentioned, is dated August 20, 1965. The gentleman knows that the British Embassy is the official spokesman of the Bahamas. How could the gentleman be sure of his facts unless he took the trouble to ask those who could give the official answer. Evidently, the gentleman made no effort to secure the facts. He just stepped out here on the floor and made unsubstantiated statements, and when he is shown the inaccuracy of his claims, he complains that we did not tell him that we could prove him to be in error. Is there no obligation on the gentleman to inform himself before he attempts to inform the House?

The SPEAKER pro tempore (Mr. ALBERT). The time of the gentleman has expired.

Mr. SISK. Mr. Speaker, I urge the House to adopt this resolution to permit the Committee on Agriculture to debate the subject under discussion.

I am concerned only about one thing and that is the well-being of the American people and the quantity and quality and price that the housewife is going to have to pay this country. I think this is our basic concern. I think if you will give an opportunity to well informed Members who will be discussing the history of this act, you will come to the conclusion as I have that over all and over the years this sugar act has been in the best interest of the American consumer and in the best interest of everyone in this country.

The SPEAKER pro tempore (Mr. ALBERT). The time of the gentleman has expired.

Mr. SISK. Mr. Speaker, I move the previous question.

The SPEAKER pro tempore. The question is on ordering the previous question.

Mr. SISK. Mr. Speaker, I demand tellers.

Tellers were refused.

The SPEAKER pro tempore. The question is on ordering the previous question.

Mr. RESNICK. Mr. Speaker, I object to the vote on the ground that a

quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. The Chair will count.

Mr. RESNICK. Mr. Speaker, I withdraw my point of order.

The SPEAKER pro tempore. The point of order is withdrawn.

The previous question was ordered.

The SPEAKER pro tempore. The question is on agreeing to the resolution.

Mr. RESNICK. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

Mr. RESNICK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. The Chair will count.

One hundred and eighty-six Members are present, not a quorum.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 253, nays 80, not voting 99, as follows:

[Roll No. 363]

YEAS—253

Abernethy	Fascell	Kunkel
Addabbo	Feighan	Laird
Albert	Findley	Landrum
Anderson, Ill.	Fisher	Langen
Andrews,	Flynt	Latta
N. Dak.	Fogarty	Leggett
Ashbrook	Ford, Gerald R.	Lennon
Ashley	Ford,	Love
Ashmore	William D.	McCulloch
Ayres	Fountain	McDade
Baldwin	Fraser	McFall
Bandstra	Friedel	McGrath
Beckworth	Fulton, Tenn.	McMillan
Belcher	Fuqua	MacGregor
Bell	Gallagher	Machen
Berry	Garmatz	Mackay
Betts	Gathings	Mackie
Boland	Gettys	Mahon
Brademas	Gilbert	Mailliard
Brooks	Gilligan	Martin, Ala.
Brown, Calif.	Gonzalez	Martin, Mass.
Broyhill, Va.	Goodell	Martin, Nebr.
Buchanan	Grabowski	Matsunaga
Burke	Gray	Matthews
Burleson	Green, Pa.	May
Burton, Utah	Greigg	Meeds
Byrnes, Wis.	Gubser	Michel
Cabell	Gurney	Mills
Callan	Halleck	Mink
Callaway	Halpern	Mize
Carey	Hamilton	Moeller
Cederberg	Hanley	Monagan
Chamberlain	Hanna	Moorhead
Clark	Hansen, Idaho	Morgan
Colmer	Hansen, Iowa	Morris
Conable	Hansen, Wash.	Morse
Cooley	Harvey, Mich.	Morton
Corbett	Hathaway	Mosher
Craley	Henderson	Moss
Culver	Hicks	Multer
Curtin	Horton	Murphy, Ill.
Dague	Hull	Murphy, N.Y.
Daniels	Hungate	Natcher
Davis, Ga.	Huot	Nelsen
Dawson	Ichord	O'Brien
de la Garza	Irwin	O'Hara, Mich.
Dent	Jacobs	Olsen, Mont.
Devine	Jarman	O'Neal, Ga.
Dickinson	Jennings	O'Neill, Mass.
Dole	Johnson, Calif.	Passman
Dorn	Johnson, Okla.	Pelly
Dow	Johnson, Pa.	Pepper
Dowdy	Jones, Ala.	Perkins
Downing	Jones, Mo.	Pickle
Duncan, Oreg.	Karsten	Pirnie
Duncan, Tenn.	Karth	Poage
Edmondson	Keith	Poff
Ellsworth	Keogh	Pool
Everett	King, Calif.	Price
Evins, Tenn.	King, N.Y.	Pucinski
Fallon	Kirwan	Purcell
Farnsley	Kornegay	Quie

Quillen	Selden	Tupper
Randall	Shriver	Tuten
Redlin	Sickles	Ullman
Reid, Ill.	Sisk	Utt
Reid, N.Y.	Skubitz	Vigorito
Reifel	Slack	Waggonner
Reinecke	Smith, Iowa	Walker, N. Mex.
Rhodes, Ariz.	Smith, N.Y.	Watkins
Rhodes, Pa.	Smith, Va.	Watson
Rivers, Alaska	Stafford	Watts
Rogers, Colo.	Staggers	Whalley
Rogers, Fla.	Stalbaum	White, Tex.
Rogers, Tex.	Stephens	Whitener
Ronan	Stratton	Whitten
Roncalio	Stubblefield	Widnall
Rooney, N.Y.	Sweeney	Willis
Rooney, Pa.	Talcott	Wilson,
Rosenthal	Taylor	Charles H.
Rostenkowski	Teague, Calif.	Wolf
Roush	Tenzer	Young
St. Onge	Thomson, Wis.	Younger
Schisler	Trimble	Zablocki
Schweiker	Tuck	
Scott	Tunney	

NAYS—80

Adair	Farnum	Patten
Adams	Fino	Pike
Andrews,	Gibbons	Powell
Glenn	Griffin	Race
Bennett	Gross	Resnick
Bolling	Grover	Robison
Bolton	Haley	Roudebush
Bow	Hall	Roybal
Bray	Harsha	Rumsfeld
Broomfield	Hawkins	Ryan
Broyhill, N.C.	Hechler	Scheuer
Burton, Calif.	Helstoski	Schmidhauser
Cameron	Hutchinson	Schneebeil
Clancy	Joelson	Secret
Cleveland	Jonas	Senner
Cohelan	Kastenmeier	Shibley
Collier	Kee	Springer
Corman	Kelly	Stanton
Cramer	Long, Md.	Sullivan
Davis, Wis.	McCarthy	Todd
Denton	McDowell	Udall
Derwinski	McEwen	Van Deerin
Dwyer	Minshall	Vanik
Dyal	Moore	Weltner
Edwards, Calif.	Nedzi	Williams
Erlenborn	O'Konski	Wylder
Farbstein	Ottinger	Yates

NOT VOTING—99

Abbutt	Dingell	Madden
Anderson,	Donohue	Marsh
Tenn.	Dulski	Mathias
Andrews,	Edwards, Ala.	Miller
George W.	Evans, Colo.	Minish
Annunzio	Flood	Morrison
Arends	Foley	Murray
Aspinall	Frelinghuysen	Nix
Baring	Fulton, Pa.	O'Hara, Ill.
Barrett	Gialmo	Olson, Minn.
Bates	Green, Oreg.	Patman
Battin	Grider	Philbin
Bingham	Griffiths	Reuss
Blatnik	Hagen, Ga.	Rivers, S.C.
Boggs	Hagen, Calif.	Roberts
Bonner	Hardy	Rodino
Brock	Harris	Satterfield
Byrne, Pa.	Harvey, Ind.	St Germain
Cahill	Hays	Saylor
Carter	Hébert	Sikes
Casey	Herlong	Smith, Calif.
Celler	Holifield	Steed
Chelf	Holland	Teague, Tex.
Clausen,	Hosmer	Thomas
Don H.	Howard	Thompson, N.J.
Clawson, Del	King, Utah	Thompson, Tex.
Clevenger	Kluczynski	Toll
Conte	Krebs	Vivian
Conyers	Lindsay	Walker, Miss.
Cunningham	Lipscomb	White, Idaho
Curtis	Long, La.	Wilson, Bob
Daddario	McClory	Wright
Delaney	McVicker	Wyatt
Diggs	Macdonald	

So the resolution was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Arends.
 Mr. Holifield with Mr. Hosmer.
 Mr. Boggs with Mr. Frelinghuysen.
 Mr. Hays with Mr. Fulton of Pennsylvania.
 Mr. Sikes with Mr. Battin.
 Mr. Teague of Texas with Mr. Curtis.
 Mr. Toll with Mr. Don H. Clausen.
 Mr. Philbin with Mr. Conte.
 Mr. Donohue with Mr. Bates.
 Mr. Delaney with Mr. Cahill.

Mr. Celler with Mr. Mathias.
 Mr. Byrne of Pennsylvania with Mr. Cunningham.

Mr. Daddario with Mr. McClory.
 Mr. Long of Louisiana with Mr. Brock.
 Mr. Annunzio with Mr. Harvey of Indiana.
 Mr. George W. Andrews with Mr. Edwards of Alabama.

Mr. Miller with Mr. Smith of California.
 Mr. Rodino with Mr. Saylor.
 Mr. Minish with Mr. Del Clawson.
 Mr. Bingham with Mr. Wyatt.
 Mr. Hardy with Mr. Carter.
 Mrs. Green of Oregon with Mr. Lipscomb.
 Mr. Nix with Mr. Lindsay.
 Mr. White of Idaho with Mr. Bob Wilson.
 Mr. Thompson of New Jersey with Mr. Walker of Mississippi.

Mr. Macdonald with Mr. Evans.
 Mr. Madden with Mr. Foley.
 Mr. Chelf with Mr. Grider.
 Mr. Thomas with Mr. Reuss.
 Mr. Thompson of Texas with Mr. Hagen of California.

Mr. Herlong with Mr. Roberts.
 Mr. Anderson of Tennessee with Mr. Rivers of South Carolina.

Mr. Dingell with Mr. Kluczynski.
 Mr. Flood with Mr. Holland.
 Mrs. Griffiths with Mr. Howard.
 Mr. Hagan of Georgia with Mr. Harris.
 Mr. Barrett with Mr. Baring.
 Mr. Blatnik with Mr. Abbutt.
 Mr. Krebs with Mr. Bonner.
 Mr. Casey with Mr. Clevenger.
 Mr. Dulski with Mr. Conyers.
 Mr. St Germain with Mr. King of Utah.
 Mr. Satterfield with Mr. McVicker.
 Mr. Marsh with Mr. Murray.
 Mr. Morrison with Mr. O'Hara of Illinois.
 Mr. Patman with Mr. Olson of Minnesota.
 Mr. Wright with Mr. Vivian.
 Mr. Steed with Mr. Aspinall.
 Mr. Gialmo with Mr. Diggs.

Mr. DUNCAN of Tennessee changed his vote from "nay" to "yea."

Mr. FARNSLEY changed his vote from "present" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

LEGISLATIVE PROGRAM

(Mr. ALBERT asked and was given permission to address the House for 1 minute.)

Mr. ALBERT. Mr. Speaker, I take this time, after consulting with the distinguished minority leader, to announce certain modifications of the program for the remainder of the week.

Tomorrow, the first order of business will be a resolution for continuing appropriations.

Also tomorrow, following the disposition of the sugar bill, the gentleman from Arkansas [Mr. MILLS] may call up bills to be considered by unanimous consent that previously had been scheduled for Thursday. This is being done in view of the change in the program for Thursday.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. ALBERT. I yield to the gentleman from Michigan.

Mr. GERALD R. FORD. On Thursday the supplemental appropriation bill will be considered?

Mr. ALBERT. On Thursday, as previously announced, the supplemental appropriation bill will be considered. If

we dispose of that bill, I hope we will be able to adjourn over until Monday.

Mr. GERALD R. FORD. Could the distinguished majority leader tell us what date is proposed for the resolution continuing appropriations?

Mr. ALBERT. I believe it is October 23, but I should like to consult with the gentleman from Texas [Mr. MAHON]. I do not see him present on the floor. I believe that it is October 23.

Mr. GERALD R. FORD. I have heard that it was October 23.

Mr. ALBERT. I now see the distinguished gentleman from Texas [Mr. MAHON] in the Chamber.

Would the minority leader mind addressing his question to him? I think it is October 23, but I should like to hear from the gentleman from Texas. The continuing resolution will be effective until what date?

Mr. MAHON. It is the expectation of the Appropriations Committee to approve a resolution for continuing appropriations tomorrow. I believe the committee will agree on the date of October 23. I believe that is probably in keeping with the wishes of the leadership.

Mr. ALBERT. I believe the gentleman is correct.

Mr. GERALD R. FORD. May I ask the distinguished majority leader whether that foretells the happy prospects for the adjournment of the Congress sine die on or before that date?

Mr. ALBERT. I hope so.

SUGAR ACT AMENDMENTS OF 1965

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The SPEAKER. The question is on the motion offered by the gentleman from North Carolina.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 11135, with Mr. BURKE in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] will be recognized for 2 hours, and the gentleman from Pennsylvania [Mr. DAGUE] will be recognized for 2 hours.

The Chair recognizes the gentleman from North Carolina.

Mr. COOLEY. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman and Members of the Committee, I shall try to be very brief in presenting this bill for your consideration.

I might remind some of the new Members of Congress that the sugar program has been in existence since 1934. The program operated under a country-by-country quota system, until 1962, when we were forced to capitulate in some de-

gree to the Senate and to the administration and to embrace the global quota.

Under the program which has been approved by all the Presidents with whom I have served—Roosevelt, Truman, Eisenhower, Kennedy, and now Mr. Johnson—we have had a stability of supply and a stability of prices, and the program has operated so successfully and so well—except in 1963 and 1964 when we experimented with the global quota—that the average housewife in America was not even aware of the fact that we had a program at all. The program operated well both in times of peace and in times of war.

This means much to the consumers of America, because without the program we could not be assured of an adequate supply at reasonable prices at all times.

The program is designed to accomplish 3 things: first, to make it possible, as a matter of national security, to produce a substantial portion of our sugar requirements within the continental United States and to do this without the consumer penalizing device of a high protective tariff; second, to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and, third, to permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a nearby stable and adequate store of sugar.

The program went well until we broke diplomatic relations with Castro in Cuba. Up to that time Cuba had supplied 96 percent of the foreign sugar coming into this market. After the break with Castro it became necessary for us to look elsewhere in the world for our foreign sugar needs, and that is exactly what we did. We granted quotas to many foreign countries.

We tried to preserve a quota for Cuba and hoped that she might come back into the family of free nations and that we could then return the quota to Cuba. But Cuba has not come back into the family of free nations, and that quota has been cut down from more than 3 million tons to 1.5 million tons in 1962—and now to about 1 million tons in this bill.

Speaking for our committee, I want to tell this House that we have from time to time been unjustly accused of dragging our feet and deliberately delaying consideration of sugar legislation.

Nothing could be further from the truth. During the entire 88th Congress we waited patiently for recommendations from the administration regarding sugar. No recommendations were forthcoming. During the 89th Congress we waited from January until May or June for such recommendations, but they were not forthcoming. Realizing that something should be done, especially because of the interests of the domestic producers, we started out to consider sugar legislation. We started considered it in conferences weeks and months before we ever received any official recommendations from the Department of Agriculture. I have had numerous conferences with those in the domestic industry, and they came to me first badly divided.

The CHAIRMAN. The time of the gentleman has expired.

Mr. COOLEY. Mr. Chairman, I yield myself 5 additional minutes.

I insisted that they confer and try to compose their differences and compromise their views and bring us something they could all agree upon. After months of conferences they finally came to our committee and said "We are ready to report." They selected one spokesman to speak for the industry. Now, this was a remarkable achievement when you appreciate the fact that this is a vast industry which spreads from the east coast to the west coast, and from north to south.

The domestic industry is vitally interested in this bill, because it is vital and essential to their survival. They cannot produce sugar in competition with foreign producers using cheap tropical labor. They now have on hand hundreds of thousands of tons of sugar that cannot legally be sold in this market unless they are authorized to do so by law. This bill now before you would authorize that sale.

I think there are 26 or 28 States in this Union that grow sugar, beet or cane. People are interested in this legislation all the way from Boston to Houston because all of the refineries up and down the eastern seaboard, and the stevedores and the dockworkers, and all of the people employed in the processing plants, depend on the processing of sugar for their livelihoods. They are in agreement in supporting this bill which was presented to us. After they brought the bill to our Committee on Agriculture, I sent them back downtown to confer with the Departments of State and Commerce and Agriculture, the Bureau of the Budget, to see if all were in accord on the bill. Finally, in May or June I was advised that they were ready to report.

Frankness requires me to admit now that I was told the bill they presented to me then would contain a provision imposing a recapture import fee. I had announced publicly in June that I did not think it was fair and I did not think it was feasible, and I did not think it was the thing we should do in the light of our international situation.

Here we have an Alliance for Progress program in which we are aiding these needy nations, many of them dependent on the production and sale of sugar. The idea of imposing a tax on the only commodity that they have to sell to us was somewhat repugnant. So I stated that I would have no part of it, and would not introduce a bill with that import tax in it.

Everybody knew my views, and I submitted them to the committee. They knew how I felt about it, and I knew how they felt about it. Finally when I was about ready to introduce the sugar bill, I was requested to hold up the bill for 3 days, which I did. During that 3 days we were advised the administration would no longer advocate an imposition of the tax.

Even this morning at 10 o'clock I talked to our Secretary of State to be sure that I would not misquote the administration. I asked them to advise

me if there had been any change in the views of the administration, and he notified me there had not been any change in the views of the administration, and that they were still against the import tax.

The reason why I mention that is an amendment will be in order to impose this tax over the objection of the administration, over the objection of our committee, and over the objection of the President of the United States. The President's position has been well known and publicly announced.

Now we come to these country-by-country quotas. First, let me say, however, that we made very slight changes in the program submitted to us by the domestic industry. We gave a little relief here in Louisiana, and a little relief in Ohio and a little somewhere else. Now, with respect to the country-by-country quotas, you have heard a lot of talk about this Bahamas business. The man who represented the Bahamas I think came from Ohio somewhere, and he submitted his case to this 35-man committee in open session. They have a pulpwood industry down there. There are 500 strong men who earn a living there producing pulp. The pulp was running out. The land is fertile and is adaptable to the growing of sugarcane. They asked for a little quota. So when this land was cleared of all roots and runners and planted in cane they might be able to sell some of their sugar in our market.

They asked for about 20,000 tons. We gave them 10,000 tons if by 1968 they could satisfy the Secretary of Agriculture that they could produce and deliver. Otherwise they would have nothing for these families of 500 workers to do. There would be probably 2,000 or more workers who would be idle just off our shores.

Contrary to what anybody says, this is not a bonanza for any corporation or an allotment to any corporation. There is not an allotment in this bill to any individual, person or corporation.

Mr. RESNICK. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I decline to yield. The gentleman was heard in the committee and was heard before the Rules Committee, and he has been heard here.

Mr. Chairman, here is the situation. Here is a friendly people a short distance off the coast of our country willing and ready to produce 10,000 tons of the 10 million tons we consume in this country annually. That is how insignificant that allotment is. And if we do not buy the 10,000 tons from the Bahamas we will buy it from some other country at the same price. This allocation to the Bahamas will not cost our consumers or taxpayers one cent. That is what that controversy adds up to, and I do not want to hear any more about it.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. POAGE. Is not the Bahamas the closest point, other than Mexico, of any American country that produces sugar to be shipped to the United States?

Mr. COOLEY. That is correct.

Mr. POAGE. And had we refused Bahama a quota, would it not have been the only country that does produce sugar for export in the Western Hemisphere without a quota; is that right?

Mr. COOLEY. The gentleman is exactly right.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. TEAGUE of California. Mr. Chairman, I should like to point out this to my colleagues. I was one of the members of the special committee which worked out and recommended to the full committee the division of these foreign imports. This was a rather unusual situation. This is intended as a compliment to the chairman. There were four Democrats and four Republicans on the committee instead of the usual 2-to-1 ratio. Perhaps more by good luck than good judgment I refused to see any lobbyists representing foreign importers, with the exception of, early in the game, two people who came all the way from South Africa. Speaking for myself, and I am sure that I express the experience of the other members of that special committee, I was not influenced in any way by the representations, oral or written, of these representatives of foreign importers.

We had three or four or five meetings; and I repeat, there were four Republicans and four Democrats. We met, in my opinion, in an entirely objective and, I think, fair manner and worked out a bill to take to the full committee in the matter of the division of foreign imports.

I compliment the chairman on his fairness in handling these meetings. He did not write or dictate this bill. It was and is the consensus of the members of the special subcommittee.

Mr. COOLEY. Mr. Chairman, may I ask the gentleman if any lobbyist representing our domestic or foreign industry appeared at any one of these sessions?

Mr. TEAGUE of California. Absolutely not.

Mr. COOLEY. I would like to ask another question, if I may. Did I not announce before the whole committee what I intended to do, and that was to select a top-notch subcommittee to work on this matter to see what we could do?

Mr. TEAGUE of California. You did, and you expressed an opinion or a position with which I wholeheartedly concur and that is the matter of dividing up these foreign imports should be a matter of decision by the legislative body rather than a small group of bureaucrats down in the Department of Agriculture and in the Department of State.

We have been complaining around here for a long time about the executive department taking away our prerogatives. This is a case where we stood up and hoped to be counted, and were.

Mr. COOLEY. Following that discussion, I would like to say that the responsibility to adjust these foreign quotas is the responsibility of Congress. It is not the responsibility of the executive branch of the Government or some bureaus or some bureaucrats or any number of bureaucrats, to sit down there and have these foreign diplomats down there come

to them with their caps in their hands to ask for some quota. That responsibility is to come before our committee in open session and present their case and subject themselves to cross-examination, and furnish us and provide us with valuable information.

Mr. Chairman, I do not want to prolong this discussion, but if the members of the Committee will look at the record—

Mr. RESNICK. Mr. Chairman, will the gentleman yield for a question?

Mr. COOLEY. No, I am making a statement now. If you will look at the record, you will see the numerous factors that we considered in making these allocations and as I say, we took into consideration the political situation, we took into consideration the economic situation in some of the countries involved as well as the trade balances between countries, and various and sundry factors. And, Mr. Chairman, I might point out to the members of the Committee that the fact that we have a limited closed rule is not because we are trying to gag anyone, but it is because—

Mr. RESNICK. You are not trying to gag anybody? Will the gentleman yield for a question?

Mr. COOLEY. No, I do not yield. I do not yield to the gentleman from New York. The quotas in this bill are fixed on a percentage basis and when you change the percentage for one country you upset all the other countries. The reason the bill is here under a committee rule is for that reason.

At this point, Mr. Chairman, I would like to put into the RECORD the unanimous statement of the eight members of the Special Subcommittee on Sugar on the manner in which the foreign quotas in this bill were developed.

THE DEVELOPMENT OF FOREIGN SUGAR QUOTAS IN H.R. 11135

In 1962, when it became necessary to replace Cuba as a major source of U.S. sugar supplies, the committee sought a mathematical formula under which the former Cuban quota could be partially reallocated. Since there was then very little history of sugar shipments to the United States by foreign countries other than Cuba, the formulas explored by the committee were based upon production, domestic consumption, world exports, and other relevant statistical data.

After considering thoroughly every formula suggested, the committee came to the conclusion that it was impossible to apply a statistical formula to a matter so complex as assigning foreign sugar quotas equitably and in the best interest of the United States.

It proceeded, therefore, to develop the quotas in the 1962 act on a country-by-country basis taking into consideration not only the ability to supply sugar to the U.S. market but other factors such as friendship for the United States, trade with the United States, support of U.S. foreign policy, and other matters which cannot be measured statistically.

The wisdom of this procedure by the Committee on Agriculture, in allocating the 1962 quotas to foreign countries is evidenced by three facts:

1. In conference on the 1962 act, the Senate insisted on changing only two of the quotas: reducing substantially the quota for the Dominican Republic and eliminating entirely the quota for Argentina. Ten days later the Senate found it necessary to com-

pletely reverse its position with respect to the Dominican Republic and Argentina, by passing an amendment to a "honeybee" bill authorizing the President to distribute 150,000 tons of the temporary Cuban quota as he saw fit, with the understanding that 130,000 tons was to go to the Dominican Republic and 20,000 tons to Argentina.

2. The State Department has never, at any time, received from a foreign country a serious protest over the quotas assigned by the committee in the 1962 act.

3. Although more than 3 million tons of sugar were shipped to the United States in the years 1962-64 under the global quota provisions of the 1962 act, with every friendly country in the world eligible to ship sugar into the United States, only 229,951 tons came from countries which the Committee on Agriculture had not designated in its foreign quota allocations—indicating that these quota countries were eminently able and willing to supply U.S. sugar requirements.

SEARCH FOR A FORMULA IN 1965

In spite of its experience with formulas in 1962, the committee again in 1965 hoped that foreign quotas might be allocated on a formula basis and several months prior to any formal consideration of the bill extending the Sugar Act it started the search for such a formula.

At the request of the committee, the Department of Agriculture prepared figures for the committee showing the application of more than 30 different possible formulas. Since there was, by this time, a history of sugar deliveries in the years 1961-64, these formulas were based upon sugar deliveries during every possible combination of these years. They included a straight average of the 4 years 1961-64, a straight average of the 3 years 1962-64, and of the 2 years 1963-64, the 2 years 1963-64 with double weight to 1964 (the formula adopted by the Department of Agriculture), a formula based on the best 2 years out of the 4, one based on the best 2 years out of the 3 years 1962-64, and others.

After examining the figures resulting from the application of all these formulas, the committee again came to the conclusion that there was no formula which would assure the timely availability of ample sugar supplies for the United States, carry out the foreign policy of the United States, and serve adequately to assist the economies of developing countries, thereby carrying out one of the major objectives of the Sugar Act, to develop the foreign trade of the United States.

Each formula studied by the committee required so many exceptions and variations that, in the end, quota determinations would become a matter of judgment rather than of formula. Therefore, the committee found that it is impossible to apply a sliderule solution to a problem containing so many intangibles that it is not susceptible to solution by mere statistical formula.

THE FORMULA PROPOSED IN H.R. 10496

This principle applies to the specific formula proposed by the Department of Agriculture, as well as all the others. This is apparent from the fact that in the Department's bill a page and a half of fine print following the printing of the formula is required to make exceptions to that formula. More space would have been used had the Department made all of the exceptions to its formula necessary to deal equitably with the quota problem.

The formula favored by the Department, and submitted in the administration's sugar bill, would have based foreign quotas on 1963-64 sugar deliveries by the foreign suppliers, with double weight given to deliveries in 1964.

The fundamental fault with the Department's formula (aside from the impossibility

of applying any mere statistical formula to this complicated situation) is that it completely disregards 30 years of experience under the Sugar Act (including the statutory quotas enacted by Congress in 1962) and bases its foreign quota recommendations solely on the experience of the 2 years 1963 and 1964. In his testimony before the committee, Tom O. Murphy, Director of the Department of Agriculture's Sugar Policy Staff, conceded that these 2 years (1963 and 1964) were the most abnormal and unrepresentative 2 years in the history of the Sugar Act. And yet it is these 2 years which are the sole basis of the Department's recommendations for permanent, statutory quotas, that are to be the foundation of our Sugar Act and our foreign commerce in sugar for the next 5 years, and by implication, for the years to come.

In 1964, the Department of Agriculture was expected and required by law to allocate for "global quota" purposes all of the quota withheld from Cuba—slightly more than 1.5 million tons. In late 1963, it allocated 1 million tons of this Cuban reserve and asked foreign suppliers to commit themselves for this amount, requiring delivery early in 1964. Any foreign supplier who might not happen to have supplies readily available at that time had the right to assume that the remaining 500,000 tons of the Cuban quota would be allocated later in the year, and to wait to make its commitment against this later allocation.

Contrary to the provisions of the Sugar Act, the Department never allocated the remaining 500,000 tons of the withheld Cuban quota. Yet this abnormal year of 1964 is the one to which the Department of Agriculture would give double weight in its so-called formula.

As the committee discovered in its own studies of the many formulas proposed for possible use this year, it is entirely possible to give unfair advantage to one country over another by picking the years or combination of years on which the formula is based. This is the reason the committee, after exhaustive studies, rejected all of the formulas.

SHORTCOMINGS OF THE DEPARTMENT'S FORMULA

1. The Department's statement supporting its formula makes a gesture toward maintaining the largest possible part of our foreign sugar supply within the countries of the Western Hemisphere. But, compared to the allocations in the 1962 act, its formula more than doubles the proportion of the foreign quota which would go to countries outside the Western Hemisphere. Every ton of this sugar comes from quotas which would otherwise be assigned to countries in the Western Hemisphere.

2. Some of the abnormal quotas outside the Western Hemisphere required by the Department's formula are—

A quota of 97,000 tons to India, a country receiving general and substantial support from the United States with much of its foreign exchange needs met from our Public Law 480 and AID programs—and with hungry people in its own country who could well use this vital food;

A quota of 97,000 tons to South Africa, a country rich in resources which depends on sugar for only 2.6 percent of its foreign exchange, and which has access to the British Commonwealth market for a substantial part of its sugar; and

A quota of 45,000 tons to Fiji, a nation of 428,000 people, which in 1964 had a preferential market in the British Commonwealth for 228,000 tons of sugar.

The quotas assigned under the Department's formula to Australia, China, India, and South Africa were larger than its proposed quotas to any of the Central and South American countries except Peru and Brazil.

3. Even in the Western Hemisphere, the inadvisability of relying on a straight, unadjusted formula, is apparent.

The Department's formula would give the five friendly, developing countries of the Central American Common Market (Costa Rica, Nicaragua, Guatemala, El Salvador, and Honduras) a total of only 128,000 tons. The committee bill gives them 148,000 tons.

Although the "big four" (Mexico, the Dominican Republic, Brazil, and Peru) are about equal in their ability to produce and export sugar the Department's formula allotted them quotas varying from 222,000 tons for Peru, to 390,000 tons for Mexico.

The Department's formula would give Argentina, an erratic sugar producer, a quota of 64,000 tons—in spite of the fact that it was able to export to the United States in 1964 only 20,000 tons.

The Department's formula would give Panama, a country the United States is striving to help develop, a quota of only 14,349 tons. The committee bill allots it a quota of 25,134 tons.

In spite of the unsettled and uncertain political situation in the Dominican Republic that country would receive a statutory quota of 386,000 tons under the Department's formula. The committee reduced this to 340,000 tons (the same as Mexico and Brazil) but suggested that the President use his authority under the bill to increase this quota on a year-by-year basis by assignment to the Dominion Republic of such portion of the deficit (usually about 300,000 tons) as he deemed appropriate.

DECISION NOT TO USE DEPARTMENT FORMULA

After hearing all the public testimony on the sugar bill, including that of the Department of Agriculture and the Department of State, and after an executive session of the full Committee at which the committee heard spokesmen for the Department of Agriculture explain details of the bill and defend the Department's recommendations, the first action taken by the Committee on Agriculture was to vote not to follow the formula recommended by the Department in H.R. 10496. This vote was taken in executive session of the full committee and was virtually unanimous.

The sugar bill follows the administration's recommendations in every other major aspect. The division of quota between foreign and domestic suppliers is exactly as proposed by the administration. The division of domestic quota between beets and cane is exactly as proposed in the bill.

The new provisions authorizing the President to suspend or withhold a quota from any foreign country "in the national interest" and to allocate deficits among Western Hemisphere countries in the national interest as he "finds appropriate" are in the bill exactly as proposed by the administration.

In addition, the committee has strengthened the President's hand by reenacting and strengthening a provision of the 1962 act authorizing the President to suspend quotas from any country which expropriates property of American citizens without proper compensation. There was no such provision in the Department's bill.

The only substantial difference is that the committee has exercised its collective judgment in recommending, for consideration by the House, the assignment of quotas to foreign countries. The committee believes that the combined judgment of the Members of the Congress, informed on all factors relating to the national interest and to the foreign policy of the United States, is superior to any formula adopted by a small committee of employees of the executive departments.

THE NECESSITY OF A RESERVE

One of the basic functions of the Sugar Act is to assure price stability and adequate

sugar supplies for consumers. This it has done, with remarkable success, over a 30-year period. Essential to the performance of these functions is the necessity of having readily available, on short notice, an adequate reserve of raw sugar.

Stability has been possible under the act because of the availability of ample sugar supplies close to the United States which can be delivered to the U.S. market within a very short period should domestic supplies become short and prices increase. The Sugar Act stipulates a target price which the Secretary of Agriculture is to maintain. He can maintain this price, if domestic supplies become short, only by bringing in sugar from offshore source on very short notice. Countries outside the Western Hemisphere, with a delivery time to the United States of 6 to 8 weeks, cannot be relied upon to provide the sugar we need in times of emergency or in times of unusual price increase.

The administration bill encourages all supplying countries to carry a reserve of 15 percent of their U.S. quota. But in the case of countries outside the Western Hemisphere and countries with relatively small quotas, this has very little meaning. The committee bill amends this provision to require that the four large Western Hemisphere suppliers carry a reserve of 30 percent of their U.S. quota (about 500,000 tons) until July 1 each year—by which time our annual sugar requirements are usually well established. They would be required to carry the 15-percent reserve for the remainder of the year.

FACTORS CONSIDERED BY COMMITTEE

Foreign quotas in the Sugar Act (for countries other than the Philippines) are expressed in percentages. The reason for this is that quotas for all the domestic areas (including Hawaii, Puerto Rico, and the Virgin Islands), and for the Philippines, are expressed in fixed tonnages. When the Secretary of Agriculture estimates and announces the total quantity of sugar which will be needed by U.S. consumers in a calendar year, the fixed tonnages for the areas mentioned come off the top, and foreign countries other than the Philippines share percentagewise in the remainder.

In working out the quotas in this bill, the committee started with the quotas in the 1962 act. No country except Cuba has received a smaller quota than it had in the 1962 act. Several countries not included in the 1962 act have been added because of their friendship for the United States, their strategic locations, their deliveries of sugar in the years 1962-65, and for other reasons.

Following are the factors which were considered by the committee in making adjustments in 1962 quotas and in allotting quotas to new countries:

1. Ability to supply the stipulated amount of sugar to the U.S. market.
2. Ability (particularly among the larger suppliers) to carry reserves of up to 30 percent to meet emergencies or increases in demand.
3. Ready availability of supply, with preference to Western Hemisphere producers, because of a delivery time of 2 to 3 weeks, compared to a delivery time of 6 to 8 weeks for other countries.
4. Stability of supply—including the element of stability of the local government.
5. The economic need of the country for a U.S. quota and the relative value of a quota to such country.
6. Purchase of, and potential market for, U.S. agricultural commodities, including the balance of trade relationship with the United States.
7. Reasons of national policy and strategy, including unusual military or strategic importance of the nation receiving a sugar quota.

8. Friendliness of the government and support of U.S. foreign policy—particularly in the U.N., and the OAS.

9. The record of performance in making deliveries to the United States in 1962, 1963, and 1964.

PROCEDURE

Following is the procedure which was used by the Committee on Agriculture in arriving at the foreign quotas set out in H.R. 11135.

1. Immediately following the public hearings on the sugar bill, there was an executive session at which the top sugar official of the Department of Agriculture went over with the committee the details of the bill. Also present were representatives of the domestic beet and cane industry to explain details of the bill as it applies to the domestic areas.

2. Following the discussion of the bill in executive session, the committee, as heretofore noted, voted overwhelmingly not to follow the foreign country allocations recommended by the Department of Agriculture but to develop a more equitable system of foreign country quotas based upon the interests of the United States and of the nations participating in our sugar market.

3. At the suggestion of various committee members, the chairman appointed a special subcommittee to consider the matter of foreign country quotas and make recommendations to the full committee. The subcommittee consisted of the chairman, three members of the majority, and three members of the minority, as follows: Mr. POAGE, Mr. ABERNETHY, Mr. PURCELL, Mr. DAGUE, Mr. TEAGUE of California, and Mrs. MAY. Mr. QUIE replaced Mrs. MAY when it was necessary for her to be absent on public business.

4. The subcommittee met first with Thomas C. Mann, Under Secretary of State, and another representative of the State Department and discussed at length the Department of Agriculture's quota recommendations and the foreign policy aspects of all the proposed foreign quotas. The State Department's recommendations with respect to each country were carefully considered by the subcommittee.

5. At its next two meetings, the subcommittee studied the various formulas which had been proposed, including that of the Department of Agriculture. It used for this purpose the tables on each formula which had been prepared for the committee by the Department of Agriculture.

6. The subcommittee concluded that no formula which had been proposed was adequate, and it determined that it would use as the basis of 1965 allotments the foreign quota allotments in the 1962 act with such modifications as might be appropriate.

7. At its next three meetings the subcommittee made adjustments in the 1962 quotas on the basis of the factors stated in the preceding section and in consideration of all these factors.

8. At its final meeting, the subcommittee unanimously approved the allotment of quotas which had been developed.

9. The Republican and Democratic members of the subcommittee then met separately with the minority and majority members of the full committee to discuss the proposed quotas. As the result of these meetings, two or three minor changes were made in the allotments. Democratic and Republican members, in separate caucuses, approved the quotas.

10. The full committee met in executive session three times to consider the quotas. At each meeting each member of the committee was free to make any motion he cared to with respect to any country quota. Sev-

eral such motions were made and several adjustments in quota were adopted.

11. Following the final markup session, a clean bill was introduced and this was approved by the full committee.

THE WESTERN HEMISPHERE

The committee has tried to keep as much of the foreign sugar quota as possible in the Western Hemisphere, for four principal reasons:

1. Because of our traditional national policy of friendship for and assistance to Western Hemisphere countries.
2. Because of the ready availability of sugar in the Western Hemisphere and the short delivery time required to move that sugar to U.S. consumers.
3. Because virtually all the dollars earned through sales of sugar to the United States will be used to purchase exports from this country.
4. Because all of the foreign quotas now being reassigned is coming from a Western Hemisphere country (Cuba).

Under the 1962 act, only 4.77 percent of the foreign quota (other than that for the Philippines) was assigned to countries outside the Western Hemisphere. The bill submitted by the Department of Agriculture would have assigned 10.08 percent of the foreign quota (exclusive of the Philippines) to countries outside the Western Hemisphere.

The committee has added two Western Hemisphere provisions not contained in the administration bill:

1. The provision that the countries of the Central American Common Market will have an opportunity to fill their own deficits before these deficits are prorated to other countries.

2. A provision that any increase in the Cuban quota resulting from consumption exceeding 10 million tons in the United States will be distributed exclusively to quota countries which are members of the Organization of American States.

THE "BIG FOUR"

With Cuba no longer eligible to serve as the bottomless sugar bowl, ready at any time to meet unexpected or emergency demands of U.S. consumers, it seemed important to the committee that several other substantial sugar suppliers should assume Cuba's former role in this respect. It has, therefore, divided a substantial portion of the foreign quota among the four largest sugar producers of the Western Hemisphere (Mexico, the Dominican Republic, Brazil, and Peru) and expects each of these countries to carry a reserve of not less than 30 percent of its quota until July 1 of each year. Thereafter these countries, in common with others having sugar quotas, will be expected to maintain reserves of approximately 15 percent.

All four of these large producers appear to be well able to meet the quotas assigned to them but only three (Mexico, the Dominican Republic, and Brazil) have the potential to expand their production substantially, should this become desirable. Sugar production in Peru is at approximately the highest level it can be expected to attain and it is also reported that Peru may have some difficulty in maintaining the 30-percent reserve required by the bill.

In assigning quotas to these countries, the committee can see no reason why any one of the three largest (Mexico, the Dominican Republic, and Brazil) should have preference over the other and has, therefore, assigned to these countries quotas exactly equal in quantity. It has assigned a smaller quota to Peru for the reasons given.

Quotas for each of the countries named in H.R. 11135 were considered carefully and on their own merits and each represents the

combined judgment of a majority of the 35-member Committee on Agriculture.

HAROLD D. COOLEY,
W. R. POAGE,
THOMAS G. ABERNETHY,
GRAHAM PURCELL,
PAUL B. DAGUE,
CHARLES M. TEAGUE,
ALBERT H. QUIE,
CATHERINE MAY,

Special Subcommittee on Sugar.

Mr. Chairman, we are bringing to the members of the Committee a bill which is merely our recommendations. You can take it or leave it. However, if you tear it to pieces, you will not have a bill. And, if we do not have a bill, the foreign countries will continue to ship their sugar in here, but their quotas will be decided by someone in the Department of Agriculture or the Department of State rather than the Committee on Agriculture, the House of Representatives—by the Congress.

Mr. Chairman, I submit the bill is fairly drawn. We have done the best job we could do.

Mr. Chairman, in talking about the evils of lobbying, I happened to notice one of the highest paid lobbyists was paid some \$50,000 and he lost 50,000 tons, when comparing this bill with the administration bill. Again, that was a point where the committee worked its will, without regard to the lobbyists.

Mr. Chairman, when a Member of Congress cannot evaluate the testimony of lobbyists and the propaganda, he ought to quit and get out.

Mr. Chairman, I do not believe there is a man on my committee that will yield to any improper influence. I believe every man on that committee is entirely scrupulous. All of these vicious insinuations and innuendoes and calling people bad names and casting reflections upon Members of Congress, those who write such articles do not intimidate us by the articles.

Mr. Chairman, that is where I want to leave that proposition.

Mr. Chairman, this city is filled with lobbyists. Of course, they can appear before the committees of the House. Ninety percent of the witnesses who testify before congressional committees are paid spokesmen for someone or some organization.

Someone observed the other day that if you outlawed lobbyists there would be a lot of vacant office space in the city of Washington.

Mr. Chairman, I am sure that in the past 2 or 3 weeks every Member of Congress has seen some of the articles appearing in the press relating to the sugar bill. I am sure Members have wondered why stories telling the true facts and discrediting some of the unwarranted charges and insinuations which have been made in these articles have not also appeared in the press.

Let me assure the House that it is not because Members of the Committee, including myself, have made themselves unavailable to reporters or have failed to tell them the true story of how this sugar bill was developed by the committee.

It is singly and solely because that part of the press which seeks to make a sensation out of the sugar story is simply

looking only for something that is salacious or scandalous.

I bring you an example.

Yesterday afternoon, in plenty of time for it to be used by morning papers, I released a statement giving the true facts in connection with some of the reckless and untrue statements which have been made. I assumed that some cognizance of this statement would appear in the morning paper. As far as I was able to ascertain, there was not one single line in the morning Washington paper about this statement which I made yesterday afternoon.

This has happened to my committee today. It may happen to your committee tomorrow. I believe very strongly in the freedom of the press, and I know its history and potential in advancing our democracy and our civilization. I am grievously disappointed and discouraged by the performance of some newspapers with respect to the legislation now before us.

I now think it will serve the cause of free information if I read to you the press release that was issued from the Committee on Agriculture yesterday afternoon and which had been completely ignored by the local press.

This press statement is as follows:

COOLEY DEPLORES UNTRUTH ON SUGAR
LEGISLATION

(For release on October 11, 1965)

Chairman HAROLD D. COOLEY, of the House Committee on Agriculture, said today the sugar program of the United States "stands in danger of being destroyed by sensation-making columnists, by some persons seeking notoriety, and by others who should have the Congress abdicate its constitutional authority to set the sugar policy of the United States."

"If this should occur," he said, "it will hurt many people. It would destroy the domestic sugar industry."

"The sugar program of the United States, first established in 1934, is intended to do three things: (1) Make it possible, as a matter of national security, to produce a substantial portion of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a nearby stable and adequate store of sugar."

"These major objectives have been achieved."

"Without the Sugar Act it is unlikely that a significant amount of sugar would be grown in the continental United States, since American producers would have to compete on the open world market with sugar produced with cheap tropical labor or under subsidy in other countries."

"But it seems some people would risk the destruction of the program, for their own selfish advantage. Some are going so far as to assail by implication the integrity of the Congress."

"In the process, I personally have been subjected to abuse and vilification."

"This apparently is the price I am paying for daring to take the position that the 435 Members of the House of Representatives and 100 Members of the Senate, in open debate—and not a half dozen downtown bureaucrats behind closed doors—should determine this country's policy for purchases of sugar abroad

to meet our needs beyond our own domestic production."

Mr. COOLEY said he has no interest whatever in the pending sugar legislation "beyond my responsibility to all the people of the United States in my position as chairman of the Committee on Agriculture." He pointed out that no sugar is produced in his district in North Carolina, that there is no sugar refinery in his district, and "there is no trading or speculation in sugar among the people I represent in the Congress."

"However," he said, "the pending sugar bill is vitally important to sugarbeet producers, to sugarcane producers, to consumers, and to refiners and others located in other parts of the country. The domestic sugar producers desperately need this legislation, and I shall work with their Representatives in the Congress to bring about its passage."

"But I will say to the Members from sugar producing areas that all the misinformation and all the untruth that is being spread about the development of this legislation may prevent final action upon any sugar legislation at this session of the Congress. I personally will support no alternative or substitute legislation that will strip the Congress of its power to deal with the Nation's overall sugar policy and invest the making of this policy in a few bureaucrats in the executive departments."

"The abuse and vilification that has been pointed in my direction does not disturb me personally, but the misinformation and untruth must be set straight, not only to protect the sugar program but to guard the integrity of the Congress. It will be the responsibility of the Members of the House to do this when the debate on the Sugar Act extension opens tomorrow."

"Meanwhile, in this statement I shall point to some glaring examples of untruth."

"A columnist for the Washington Post who is nationally known for the inaccuracy of his statements alleged, for example, that I had phoned the Department repeatedly, sometimes threatening, sometimes cajoling, to urge it to give his favorite lobbyists what they wanted."

"I do not know where this columnist got his information, but this assertion is a direct misstatement of fact."

"I have never, at any time, either telephoned or talked in person to anyone in the Department of Agriculture about quotas for specific foreign countries. I never saw the foreign quotas proposed by the Department in its bill until that bill had been submitted by executive communication and was in print."

"When agriculture officials resisted his pressure," the column goes on to say, "he ignored their proposals and drafted a bill to suit the lobbyists."

"I did not draft this bill. It was drafted and developed by the whole 35-member Committee on Agriculture and reported with only 2 dissenting votes. The details of its development will be discussed in full with the House tomorrow."

"Another misstatement is that I 'admitted lobbyists into a closed meeting to help the committee draft the bill.'"

"This is another misstatement of fact. Never, at any time, did any lobbyists participate in a drafting session of the Committee on agriculture on this bill."

"Domestic sugar interests drafted, and submitted to the Department of Agriculture, most of the bill which was adopted by the Department and sent up by executive communication as its own. It is a long and complicated bill. Therefore, it was reasonable that at the first executive session following open hearings on the bill, Mr. Phil Jones, of the United States Beet Sugar Association, and Mr. Irving Hoff, of the Cane Sugar Refiners Association, should be invited

along with Mr. Thomas O. Murphy, director of the Department of Agriculture's sugar policy committee, to explain details of the bill to the committee and answer questions.

"Foreign quotas were not discussed at this session of the committee. No drafting whatever was done at this session. Its purpose was simply to give committee members fuller information about the details of the bill and permit them to ask any questions they might wish to ask.

"I repeat, never, at any time, was anyone other than a member of the Committee on Agriculture and its staff present at any session at which drafting on the sugar bill, or amendments thereto, took place.

"As is customary with this particular columnist, he took credit for revealing that the mysterious Bahamas quota would be filled, if at all, from sugar produced in a plant to be constructed by the Owens-Illinois Co.

"This was quite a revelation. It occurred several days after the vice president of the Owens-Illinois Co. appeared in open public session before the Committee on Agriculture, stated that his company hoped to replace a worked-out pulpwood operation with a sugarcane operation which would continue to offer employment to 500 or more natives of the Bahamas, and requested a small sugar quota in order to help assure the success of the venture.

"The statement was made in open session of the committee. Mimeographed copies were distributed to the press. And yet, this columnist, claims he revealed this mysterious situation many days later.

"Never at any time did a representative or lobbyist for a foreign country appear before our committee, except in open public hearings.

"Perhaps the greatest disservice this column does to American citizens, who depend on their daily newspapers for accurate information about national affairs, is the repeated statement and implication throughout the article that an allotment of 10,000 tons of sugar to the Bahamas will cost American taxpayers \$1 million, or some other sum.

"The truth is that an allocation of 10,000 tons to the Bahamas will cost neither the taxpayer nor the consumer 1 red cent. The price of sugar in the United States is established by the Sugar Act. Over the years it has been a stable and a very reasonable price and U.S. consumers pay less for their sugar than consumers in virtually any other developed country of the world.

"The sugar program has not cost U.S. taxpayers anything. Collections from the program have paid the way of the program and left almost half a billion dollars of profit in the Treasury, not counting the income from a tariff of 62 cents per hundred pounds which is collected on all sugar that comes in from foreign sources except the Philippines.

"Nor would the allocation of 10,000 tons of sugar to the Bahamas cost consumers anything. Refiners would pay exactly the same price for the sugar they get whether it comes from the Bahamas, from Australia, from Puerto Rico, or from Louisiana."

Mr. WILLIAMS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. WILLIAMS. I am concerned as to what would happen in the event this bill is not passed. I have asked numerous members of the Committee on Agriculture what the situation would be and their answer is usually in more or less general terms, simply saying that we would have a chaotic situation.

I would hope that the gentleman might give us the alternative to this act.

Mr. COOLEY. The gentleman asks what would happen. In the first place, the domestic producers who are now burdened with a great abundance and surpluses of sugar could not sell their sugar.

Mr. WILLIAMS. For what reason?

Mr. COOLEY. They cannot sell it under existing law because they have no allocation covering their surpluses. They have exceeded their allocation and they have these surpluses. Under this bill they are given an additional 580,000 tons of sugar which we otherwise would acquire from some foreign source. Unless we pass the bill, sugar will not move freely into the marketplaces. These allotments will be made pursuant to the provisions in the bill. If this is defeated, then the only way we can bring foreign sugar in would be for some official downtown to set up quotas to suit himself, and no authority for domestic producers to sell their surplus.

Everybody in this House is affected by this. Every consumer that you represent is affected by this bill. All the industrial users, all the bottlers and bakers and candymakers in your district and in your State and my State who are the industrial users and who use most of the sugar that is consumed in this market are affected. So the bill is generally important to everybody in the country.

Mr. WILLIAMS. Do I understand that without the passage of this bill, there would be no stability in the prices?

Mr. COOLEY. That is right.

Mr. WILLIAMS. Nor would there be an assured supply?

Mr. COOLEY. There would not be an assured supply. Nor would there be any stability in the prices. Just as I pointed out here and the argument was made in our committee, when we had the global quota, sugar at retail went to 17 or 18 cents per pound.

Mr. WILLIAMS. Do I understand, just to boil it down and express it in simple terms, that this bill provides more or less for a contract type of agreement to pay a specified price for a certain amount of sugar, with the guarantee that we will receive the sugar for that price?

Mr. COOLEY. That is it exactly. That is right.

Mrs. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mrs. MAY. I certainly agree with the gentleman's explanation and the answer given to the gentleman in the previous colloquy, but I would like to put in correct context for the RECORD one statement that my distinguished chairman made when he explained that if we did not get this bill, we would have no right to sell this sugar which the beet growers and the cane growers, our American farmers, need to sell so desperately. He said that they exceeded their allocation. I would not like the implication or impression to be made on this record that this was the result of willful overplanting.

I want the RECORD to show that at the time those allocations were exceeded, it was because our cane and beet growers were doing this planting and growing at the request of the Department of Agriculture.

Mr. COOLEY. I appreciate the observation of the gentleman and agree with what you have said.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. LATTA. As I indicated earlier during my remarks on the rule. I want to commend the gentleman for permitting the Department of Agriculture to work its will on this legislation. Because it is now before the House and I think it represents the consensus of opinion of a great majority of the members of the Committee on Agriculture in not yielding to the lobbyists who wrote this bill downtown and the administration that sent it down here. I just want to say, I assume that now when the House acts on this bill favorably, which I hope it will, and that when this matter gets over to the other body, the good chairman, when this matter goes to conference, will stick by the position of the House. Is that a true statement?

Mr. COOLEY. I assure the gentleman that I will do so.

Mr. LATTA. I thank the gentleman.

Mr. COOLEY. Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The gentleman from North Carolina [Mr. COOLEY] has consumed 21 minutes.

The Chair recognizes the gentleman from Pennsylvania [Mr. DAGUE].

Mr. DAGUE. Mr. Chairman, I yield myself such time as I may require.

(Mr. DAGUE asked and was given permission to revise and extend his remarks.)

Mr. DAGUE. Mr. Chairman, I rise in support of the sugar bill, H.R. 11135.

It has not been too often during my service as a member of the Committee on Agriculture that I have taken a position on agricultural legislation in accord with my chairman, the distinguished gentleman from North Carolina. More often than not we disagree on farm bills, as was the case just last week on the omnibus farm bill.

Today, however, I join with the gentleman from North Carolina [Mr. COOLEY] in supporting this bill which is of such great importance to all Americans. Everyone is a sugar consumer. This law affects every sugar consumer. Thousands of people depend on the sugar industry for their livelihood. This law affects them. Every citizen is affected by foreign commerce and foreign policy. Yes, this law truly affects all Americans.

Let me say at the outset that H.R. 11135 is a committee bill and not any one Member's bill. It has undergone extensive public hearings at which each and every person interested in sugar legislation had an opportunity to present his case for the record. It was developed and perfected by the members of the committee, and it holds the overwhelming support of members of the committee from both sides of the aisle.

The debate on this bill will, I predict, show that it does have broad bipartisan support in this great body. It will no doubt show too that it has some bipartisan criticism.

Let me say also at the outset that the gentleman from North Carolina [Mr. COOLEY] has been both forthright and fair in his handling of this bill. He has afforded all segments of the industry, each member of the committee, and the executive branch a fair opportunity to express their points of view; and I repeat, while more often than not I find myself in disagreement with him on matters of substance concerning agricultural policy, I can truthfully say that after 19 years on the Committee on Agriculture, I have come to know him as a fair and honorable gentleman.

H.R. 11135 is an extremely complex and highly technical piece of legislation. While I do not intend to go into all of its various details, I would like to point out that basically it is a 5-year extension and amendment of the Sugar Act.

The bill itself reflects the agreement of the U.S. sugar industry, the recommendations of the administration, and the independent action of the Committee on Agriculture. H.R. 11135 is, with very slight change, the administration's sugar bill on every major point except for the assignment of foreign country quotas.

On this question, the assignment of country quotas, the committee has exercised its independent, collective judgment.

The difference between the administration bill and the committee bill on this point comes down to a difference in the basis used for determining the size of each country's quota.

The administration used a mathematical formula based on the years 1963 and 1964, adjusted for certain exceptions. The committee bill used the statutory basis in the 1962 Sugar Act, either increasing or leaving at the same level every country quota assigned under that law.

Obviously, when one uses a different basis, a different result will occur. If the choice were mine alone to make, I do not believe I would have approved the country-by-country quotas on exactly the same basis as H.R. 11135. Nor would, I imagine, any of the 35 members of the committee or the 435 Members of this body make the exact same decisions.

The fact is that each member of the committee had a full opportunity to suggest any changes he felt were desirable and to ask for a rollcall vote to see if his colleagues agreed. In some instances this was done. In some cases I was on the prevailing side; in others the position I supported did not prevail.

But that, in essence, is the legislative process. No member of this body can have what he exclusively desires in legislation. In the case of this bill, no Member can say this is exactly how he wanted it.

Let us remember that throughout this discussion we are talking about how the foreign sugar quotas are distributed. Under both the administration bill and under the committee bill the same amount of sugar—about 4 million tons annually—was available for foreign quota assignment.

When everything is said and done, the question comes down to this: Which method for distributing these quotas is best?

Some may say the administration formula is best. Others may say that country X should have 10,000 more tons and country Y should have 15,000 tons less.

The Committee on Agriculture has done its best to distribute these quotas in a fair and sensible manner. H.R. 11135 represents that collective effort. Frankly, I feel that any responsible criticism of the distribution of foreign quotas made by H.R. 11135 should be accompanied by a suggestion and a justification for distributing these quotas in a different manner.

In other words, if anyone in this body is displeased that country X got too large a quota and suggests that it should be cut 10,000 tons, he should be prepared to justify why one or more other nations should be reduced by an equal amount.

I think that the Members of the House will agree that this is a most difficult assignment, and if they believe they can do a better job, I urge them to volunteer for service on the Committee on Agriculture.

In summary, Mr. Chairman, H.R. 11135 is legislation which is badly needed this year by the domestic sugar industry, especially the beet and cane producers. It is a bill which has broad bipartisan support from the Committee on Agriculture.

It is a bill which has been handled fairly and forthrightly by the chairman of the committee, the gentleman from North Carolina [Mr. COOLEY].

It is a bill which represents the independent, collective judgment of the third largest committee of the House.

Finally, it is a bill which I intend to support unless someone is able to develop a better formula than that adopted by the committee.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Colorado [Mr. ROGERS].

Mr. ROGERS of Colorado. Mr. Chairman, it has often been said that Denver, Colo., is the sugar capital of the United States—and certainly it is the headquarters for two of the largest beet sugar companies in the United States. My State of Colorado is, in fact, headquarters for four beet sugar companies, and together they produce almost exactly one-half of all the beet sugar in the entire United States.

And so you see, Mr. Chairman, that the welfare of the domestic beet sugar industry is of tremendous importance not only to my own district in Colorado, which is principally the city of Denver, but also to the entire State. Sugar beets are a major cash crop in Colorado, and the State is, indeed, the second largest producer of beet sugar in all the Nation.

Therefore this sugar bill is of particular importance to my State, and of particular interest to me.

I wish to associate myself, Mr. Chairman, with my colleagues who have pointed out that although we recognize serious complications in the foreign provisions of this bill we should not forget that the domestic provisions, particularly the domestic quota provisions, are of tremendous importance to American producers. While we should recognize that the foreign provisions do have a bearing on our foreign policy, we should not

penalize our own domestic producers by failing to pass this bill.

The domestic quota provisions would increase the marketing rights, above the rights now in the present law, for the domestic beet sugar producers and the mainland cane sugar producers, for a few years. This increase is being provided so the producers in these two areas will be able to work off in the market place, in an orderly manner, excess sugar that they now have on hand and are forbidden to market under the present law.

Now it is important, Mr. Chairman, that we recognize that this excess sugar, that they now have on hand, was produced not irresponsibly, but was produced in direct response to urgent pleas of the U.S. Government that it be produced. We were in a period of crisis on sugar, and the Government turned to our own domestic producers and urged them to increase their processing capacities, and to plant more acreage, and to produce all they could produce.

Well, our producers responded by planting more acres and expanding their processing plant capacity, and producing more sugar. Some of that extra sugar they were able to market, and it was a large and perhaps deciding factor in bringing the sugar situation under control in 1963.

But now our beet sugar companies are carrying in storage, at their own expense, huge quantities of extra sugar, produced in response to the pleas of the Government, which they cannot market unless we—in the Congress—give them the authority to market it.

Mr. Chairman, we would be doing a disservice to the American sugar farmer if we fail to provide that authority, which is in this bill.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Wyoming [Mr. RONCALIO].

(Mr. RONCALIO asked and was given permission to revise and extend his remarks.)

Mr. RONCALIO. Mr. Chairman, I thank the chairman of the committee for yielding this time to me.

Mr. Chairman, the passage of this bill, H.R. 11135, is of unusual importance to the people and to the economy of the great State of Wyoming—which is my district—because of the features that pertain to the domestic sugar industry.

Mr. Chairman, the Government called upon the beet sugar industry to increase its production a short while ago—in 1963—in order to meet a sugar emergency that resulted when certain foreign sugar interests that have access to this market were not filling their obligations here. In Wyoming, the sugarbeet growers and the companies heard the pleas of the Government and increased their sugar production in 1963 some 42 percent over 1962, an increase of nearly 700,000 hundredweight of refined sugar, with the resulting increase in capital expenditures for equipment, for machinery, and for other obligations on the part of the farmers in my State.

The production of the beet sugar industry, the response of our farmers and our beet sugar companies to the urging of the Government, has been repeatedly

acknowledged as a significant factor in quelling the sugar storm of 1963, and halting the climb in sugar prices which so disturbed the whole country. The Congress now has the opportunity to do something truly beneficial to the consumer and to the industry—we in this House now have the opportunity to increase the beet sugar marketing quota, as provided in this bill, and let the industry sell, over a period of years, the excess inventories which have been built up because of the Government-requested production.

The alternative to permitting the beet sugar industry to market more sugar over the next few years is to curtail production even more drastically than it is being cut back now. In Wyoming, sugarbeet growers were required to take a 13-percent cut in acreage this year, and a further reduction of magnitude will be required next year unless this bill is passed. Some reduction may be necessary next year even with the marketing permitted under this bill, but the cut would be prohibitive and severely damaging not only to the sugarbeet growers, but also to the State's entire economy, if production had to be curtailed immediately to the marketing level authorized by the present Sugar Act.

Mr. Chairman, you have only to visit the irrigated valleys of Wyoming at this time of year, during the sugarbeet harvest, to get some inkling of the tremendous importance of this crop to our economy. You see the seemingly endless parade of trucks coming from the farms to the beet sugar factories or the outlying receiving stations. You see long, long trainloads of beets. In the towns in the beet-growing areas, and especially in the factory towns—Torrington, Worland, and Lovell—there is an atmosphere of bustle and "busyness" that you see at no other time of year. And when you talk to the merchants and to the bankers, you learn that the sugarbeet not only makes "busyness"—it makes more business throughout the community.

When this industry is strengthened, the benefits flow throughout the State. When it is curtailed, the deleterious effects are felt throughout the State. I have read the Sugar Act Amendments of 1965 and the report accompanying that bill. I have paid particular attention, Mr. Chairman, to the minority views and to the opposing views. I have heard with some sympathy the presentations of other Members of the 89th Congress in urging opposition views. But I cannot help but feel that the best interests of the American consumer and of the people of the United States would be served by the enactment of this bill without amendments of any kind.

Sugarbeets are tremendously important to us in Wyoming, Mr. Chairman, and beet sugar is tremendously important to the Nation. Because of the beet sugar quota provisions of this bill, I urge my colleagues to consider it favorably.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. TUNNEY].

(Mr. TUNNEY asked and was given permission to revise and extend his remarks.)

Mr. TUNNEY. Mr. Chairman, I would at this time clarify the intent of certain language contained in H.R. 11135.

An amendment to H.R. 11135 was adopted by the House Agriculture Committee which provides for the production of sugar from sugarcane in new areas of the country. This amendment is contained in section 5 of H.R. 11135 which amends section 205 of the Sugar Act of 1948, as amended; and also in section 10, paragraph (B) of H.R. 11135, which amends section 302 of the Sugar Act of 1948, as amended.

The gentleman from California, Congressman HARLAN HAGEN, introduced the amendment before the Agriculture Committee at my request. The language of the amendment was drafted by me with the assistance and concurrence of Congressman HAGEN.

The amendment provides for the growth and expansion of the mainland sugarcane industry in States other than Florida and Louisiana. The amendment would give a sugarcane quota to a "sugarcane processing facility or mill which begins operation for the first time after calendar year 1966." I would like to have the intent of the language clarified to insure that an established sugarbeet processing plant, which will be converted to begin operations to process sugar from sugarcane after calendar year 1966, be considered a "sugarcane processing facility or mill which begins operation for the first time after the calendar year 1966," for the purpose of obtaining a sugarcane quota under H.R. 11135. This was the original intent that Congressman HAGEN and I had at the time we drafted the amendment.

Mr. COOLEY. I agree with my friend that his interpretation is accurate and that is exactly what the Committee intended to do.

Mr. TUNNEY. As I stated, the amendment adopted by the committee would make it possible for sugar cane to be grown in areas outside of Louisiana and Florida, the two States for which the production of sugar cane is now reserved.

If the Secretary of Agriculture grants increased quotas for sugar cane as a result of increased national consumption, Florida and Louisiana would be the only two States eligible to participate in the increased quotas. In 1962, the Sugar Act was amended to allow new areas and additional States to participate in increased quotas for sugar produced from beets. The same privilege, however, was not extended to produce sugar from cane. The amendment in H.R. 11135 would make it possible to produce cane sugar outside of Florida and Louisiana.

I would like to make it clear that the purpose of this amendment is not to take any portion of the extant sugarcane quota from Florida or Louisiana. It merely gives other areas a chance to produce cane sugar if there is to be a future increase in cane quotas. It is the intention of this amendment to allow new areas to receive a share of the reserve which would be created by the increase

of population which would go into effect only after the yearly sugar consumption of the United States reaches 10,400,000 tons of raw value sugar.

The west coast, and particularly southern California, is experiencing a tremendous population growth, and it can be reasonably assumed that a ready market would exist for any additional sugar that could be produced. According to the Census Bureau, the rate of population increase for a 5-year period is 23.5 percent for Arizona, 11.2 percent for Utah, 54.2 for Nevada, and 18.4 percent for California.

Farmers in the Imperial Valley have been forced to seek new crops. The production of flax for seed was, until just a few years ago, one of our major crops. Synthetic ingredients in paints have replaced the linseed oil, and the demand for this oil has dropped to a very small percentage of what it was just 10 years ago. Imperial County is well suited for the growing of sugar cane and this amendment will open up a new industry in the area. For more than 12 years a group of farmers from my area have carried out research on the planting of sugar cane for the production of sugar. These farmers believe that they now can grow sugar cane efficiently and profitably.

The Holly Sugar Corp. has a mill in Imperial Valley for the production of sugar from sugarbeets. This corporation is also interested in commercial production of sugar from cane to the extent that they are now participating in the experimental phase of the program. This mill can be adapted to processing of cane.

I want to thank the members of the Agricultural Committee for adopting this amendment and hope that the Members of the House will support the bill as amended.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. RESNICK].

(Mr. RESNICK asked and was given permission to revise and extend his remarks.)

Mr. RESNICK. Mr. Chairman, there seems to be a lot of question about who wrote this bill and the motives for writing it. Our distinguished chairman seemed to be very perturbed about the things that have been said about this bill. I do not know why the chairman feels that way. I pointed out in the committee on this quota for Owens-Illinois—I call it a quota for Owens-Illinois because under the terms of the arrangement, as I understand, not one single pound of sugar can be grown by anybody in the Bahama Islands but Owens-Illinois.

Again the point is made that it is only 10,000 tons out of 10 million, but there were any number of people who were interested in these 10,000 tons. I remember the country of Swaziland wanted 9,000 tons so that they could fill up a shipload and, if I recall correctly, they did not get it.

I would like to point out once again that this is a 5-year bill and based on today's figures we are talking about \$2 billion.

I would like to point out again that this is not an administration bill; that, for example, the administration bill recommended for Argentina 63,000 tons, and the committee bill gives Argentina 21,000 tons. Argentina is the only country that did not have a lobbyist working for it.

For Haiti the administration bill recommended 18,000 tons. The committee bill carries 28,000 tons. That is 28,000 tons of sugar to the worst dictatorship in the Western Hemisphere, if not in the entire world.

Now, Mr. Chairman, it has been said that this sugar bill represents a part of our foreign aid commitments. If it is part of our foreign aid commitment, certainly countries like Australia, South Africa, Venezuela, and the French West Indies do not belong in this list.

If it is a foreign aid bill, then these quotas should be set by the House Committee on Foreign Affairs or by the State Department. The Committee on Agriculture certainly should not dabble in foreign aid. Surely this is an area for the House Committee on Foreign Affairs.

For example, Mr. Chairman, the Irish quota—and I tell the members of the committee this in order to show how arbitrary rules were set up and were not set up—the same 10,000 tons of sugar that was set up for the Bahamas, the Irish quota was in there since 1962, but it has been very effectively cut out, because they wanted to make sure that Ireland did not get in on this particular item.

Mr. LENNON. Mr. Chairman, will the gentleman yield to me?

Mr. RESNICK. I would be very happy to yield to the gentleman from North Carolina.

Mr. LENNON. The gentleman from New York is a member of the House Committee on Agriculture?

Mr. RESNICK. That is correct.

Mr. LENNON. The gentleman, at least by inference, is trying to point out that some members of the committee were influenced by lobbyists. Are you directing your accusations at the chairman of the committee or the full committee of which you are a member?

Mr. RESNICK. I am not directing any accusation at any member of the committee. I am just pointing to the results. I would not want to accuse any member of the committee or any Member of this House as being affected by lobbyists. But I would like to point out if I may that I intend to vote against the Findley amendment on lobbyists.

Mr. LENNON. If the gentleman will yield further, is not the gentleman suggesting to the American public through his appearance in the well of the House today that the great Committee on Agriculture was to an appreciable degree influenced by lobbyists of these Latin and South American countries? Does not the gentleman recognize that? Does not the gentleman recognize that is what he is doing?

Mr. RESNICK. No, I would not say that. I am just pointing out what has happened. The conclusions have to be drawn by the Members of the House.

Mr. LENNON. Was that by a majority vote of the members of the House Agriculture Committee that these allotments or quotas were set on these foreign countries?

Mr. RESNICK. These allotments were changed from day to day and hour to hour. If the gentleman really wants to know—

Mr. LENNON. Was it not the will of the majority of the committee which has the legislative responsibility—

Mr. RESNICK. That is correct.

Mr. LENNON (continuing). To make this determination?

Mr. RESNICK. That is correct.

Mr. LENNON. What is the gentleman complaining about, then?

Mr. RESNICK. I am not complaining. I am just bringing some facts out in the open. I am not complaining. As a matter of fact one of the Members used that same word, "complaining." We are discussing this bill.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. POAGE. Mr. Chairman, I yield the gentleman 5 additional minutes. I wonder if he will yield to me for a question? However, I do not want to interrupt the line of questioning by the gentleman from North Carolina.

Mr. LENNON. Mr. Chairman, if the gentleman will yield further, I believe the gentleman's name was mentioned in an article or a syndicated column that was written recently and appeared in a substantial number of the great newspapers of our country in which he was referred to as the very brave and capable member of the committee; is that not true?

Mr. RESNICK. That is true.

Mr. LENNON. And would the gentleman tell us who wrote that story?

Mr. RESNICK. Who wrote it?

Mr. LENNON. Yes.

Mr. RESNICK. It came out in the Drew Pearson column.

Mr. LENNON. In the Drew Pearson column? And what was the gentleman, Drew Pearson, called by President Truman?

Mr. RESNICK. I do not believe that question is relevant.

Mr. LENNON. How did Mr. Drew Pearson know that our distinguished friend, a member of this great committee, the gentleman from New York, was so brave and so courageous and so intelligent and so articulate and so eloquent?

Mr. RESNICK. I think I have yielded the floor enough on this. I do not believe that has anything to do with the issue. But I will point out that my views are stated in the minority report. If the gentleman will read the minority report.

Mr. LENNON. I have read the minority report and I violently disagree with it.

Mr. RESNICK. That was my amendment that I offered and I also offered it in the Committee on Rules and I believe the report would contain the information.

Mr. LENNON. I regret that the gentleman attempts to attack the integrity of the committee of which he is a member.

Mr. RESNICK. I am not attacking the integrity of the committee. I am questioning its judgment which I think is our job here, to question their judgment on any bill that comes up here.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. RESNICK. I yield to the gentleman, my distinguished vice chairman.

Mr. POAGE. Reference has been made to the allocation of 10,000 tons to the Bahamas as being an allocation to the Owens-Illinois Co. and the charge has been made that it was not made to the Government. The bill reads on page 5, and I think this is the only place in the bill where it is mentioned: "for the Bahama Islands, in the amount of 10,000 short tons, raw value, of sugar."

The words "Owens-Illinois Glass Co." are not in the bill so far as I can find but the words "Bahama Islands" are in the bill. It does seem to me, there is a rather unfair implication to say that the committee gave a quota to anybody other than a foreign country and to suggest that a quota was given to an American company rather than to a country is, as I see it, completely unwarranted.

I believe when the gentleman offered his amendment to cut out the Bahama Islands—not to cut out the Owens-Illinois Glass Co. but to cut out the Bahama Islands from a quota—the committee voted by a rollcall vote of 21 to 11 not to do so. I do not think that that indicates there was some secret group that got together and conspired in some way. Does the gentleman mean to imply that there is some kind of a conspiracy here to help some individual company?

Mr. VANIK. Mr. Chairman, will the gentleman yield at this point?

Mr. RESNICK. I am glad to yield to the gentleman.

Mr. POAGE. I wish the gentleman would answer my question.

Mr. VANIK. It seems to me as an observer here that the words "conspiracy and implication" seem to be brought to the attention of the House by other members of the committee. I think the gentleman has a perfectly fair and legitimate complaint about this bill. He has not said anything about any Member of the House. He has not said anything about the action of the committee other than he disagrees with it.

I think it is too bad that the time has come here that a Member of the House cannot have a legitimate complaint about a bill without having the time extended to him so that he can be abused by other Members of the House. I think the gentleman has a perfect right to do what he is doing. I agree with him. There are many others who agree with him. There are some 80 Members of this House who disagreed on the rule under which the House is limited as to what kind of a bill can come out of this committee. I felt along with others that under the rule a good bill could not possibly be passed by this House. That is why I took the position I did on the rule. I want to commend the gentleman from New York [Mr. RESNICK]. I think he is doing this House a great service and

I think he is doing it in the proper way and again I commend him for it.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. RESNICK. Would the gentleman yield me some more time?

Mr. POAGE. Mr. Chairman, I yield 2 additional minutes to the gentleman and I hope the gentleman answers the question that I asked before he answers any other questions.

Mr. RESNICK. Yes, I would like to answer that question because as I said in the committee, and I hope I made it perfectly clear, I never accused anybody of being in a conspiracy and never made any innuendos or anything else about anybody. It seems to me "the lady doth protest too much" about this whole thing. All I have said is this. These 10,000 tons were requested by any number of other countries. The Bahamas were picked out—the only country that was permitted to go into the sugar business when we have this worldwide sugar glut. The answer here, I think, is simply this.

As I understand it, the Owens-Illinois Co. has an exclusive arrangement with the Bahamian Government and therefore no Bahamian national will be able to grow one acre of sugar. I understand that the Owens-Illinois Co. also has an internal monopoly on 8,000 tons to grow for the Bahama Islands. So we are in the position of turning back the clock on land reform. Here we are asking the South American countries to reform their land holdings and we are saying to Owens-Illinois Co., "You go down into the Bahamas and you can start up as a latter-day United Fruit Co."

Mr. POAGE. Mr. Chairman, would the gentleman yield?

Mr. RESNICK. I yield to the gentleman from Texas.

Mr. POAGE. The gentleman has suggested, I believe, that the Bahamas were the only country which was granted a quota to begin to produce. I believe there was granted to the British Honduras something in excess of what we granted to the Bahamas. I believe it is equally true that there is no sugar mill in the British Honduras at the present time. But this grant of a quota would enable that country to go into the sugar business just as the bill authorizes the Bahamas to produce and sell sugar. I believe it is correct, as our chairman has stated, that had this grant not been made to the Bahamas, it would be the only sugar exporting country in the Western Hemisphere that did not have an American quota, and yet Bahama is, with the single exception of Mexico, closer to the United States than any other sugar-producing country. If these people lose their only source of employment do you think they will stay there and starve or will they take advantage of the new Immigration Act, which I believe the gentleman supported, and move 90 miles to the U.S. mainland and draw U.S. relief. After all what is wrong from our viewpoint with giving a quota where it will help the United States?

Mr. RESNICK. I should like to remind my distinguished colleague that when I spoke to the man from Owens-

Illinois, he told me he was not going into the sugar business unless he got the quota. So, as we say in poker, he was "checking a cinch." In other words, he wants the quota first; then he will go into the sugar business.

Mr. STALBAUM. Mr. Chairman, will the gentleman yield?

Mr. RESNICK. I yield to the gentleman from Wisconsin.

Mr. STALBAUM. Is it not true that in the past, sugar has been grown in the British Honduras?

Mr. RESNICK. That is my understanding.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. COOLEY. I yield to the gentleman from New York 1 additional minute.

Mr. RESNICK. I yield to the gentleman from Wisconsin.

Mr. STALBAUM. Is it not true that in British Honduras sugar has been grown in the past, and the point on the Bahamas quota is the fact that they have never grown a stick of sugar cane, at least in modern times, and therefore any quota which may have been established for the British Honduras—and I am not too keen about when either—had some historical justification, whereas there appears to be no historical justification for the quota for the Bahamas?

Mr. RESNICK. That is correct.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. RESNICK. I yield to the gentleman from Ohio.

Mr. VANIK. Is there any other agricultural industry, outside of sugar, that enjoys the benefit of the tax that we put on every pound of sugar that is consumed in the United States, in addition to the quota provisions? Is there any other agricultural crop that enjoys this benefit?

Mr. RESNICK. I do not believe there is any.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. RESNICK. I am glad to yield to the distinguished gentleman from North Carolina.

Mr. COOLEY. I believe that the sugar industry is about the only industry that does pay the tax.

Mr. VANIK. Who pays the tax? The U.S. consumer.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. RESNICK. I yield to the gentleman from California.

Mr. TEAGUE of California. To answer the gentleman's question, wool and bread.

Mr. COOLEY. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. ASHLEY].

Mr. ASHLEY. Mr. Chairman, I am not a member of the Committee on Agriculture and, quite honestly, I arise at this time mainly because some discussion has focused on a corporation located in my district which I do not believe has been accurate.

The Owens-Illinois Corp. is a major corporation with major plants in scores of States producing jobs for tens of thousands of our citizens. In all truth, this is a corporation that for many years has

made a very substantial contribution to our economy and to the industrial technology which means so much to both the security and welfare of our country.

The separate views contained in the report on H.R. 11135 attack the 10,000-ton sugar quota that has been allotted for the Bahama Islands on the basis that this is actually a quota for the Owens-Illinois Co., which will serve neither the interests of the U.S. Government, the sugar industry, nor the people of the Bahamas.

It is said that inasmuch as the Bahamas do not presently enjoy a sugar quota, and since sugar is in oversupply, there can be no useful purpose in deliberately encouraging more production—that by doing so we deprive other countries of their proportionate share of the American market.

I respectfully submit, Mr. Chairman, that no country has a "right" to a "proportionate share of the American market." One purpose served by congressional review of the sugar program is to weigh current consideration in light of changing national interests and to adjust sugar quotas—and grant new ones—if our national interest so requires.

It is undoubtedly true, as stated in the separate views, that there is already intense competition for the American market. But this hardly seems a logical or legitimate reason for refusing to consider new quota applicants whose interests may well be closer to our own than countries presently enjoying a favorable quota position.

Certainly it cannot be denied that a quota for the Bahamas would result in a close-by, dependable, low-cost source of sugar and would support a friendly, nearby, stable government.

It is also said that this quota would not serve the interests of the people of the Bahamas. This simply is not so, Mr. Chairman.

The fact is that the Bahamas are an undeveloped area badly in need of the kind of capital investment that provides expanding employment opportunity. Owens-Illinois in recent years has been engaged in a pulpwood operation in the Bahamas which in less than a decade has provided a viable base for an economy which before was primitive and almost completely lacking in job opportunities. Because the pulpwood operation will terminate in 1967 until a new crop of pulpwood reaches cutting size—almost 25 years—Owens-Illinois has explored the possibility of shifting its Bahamas operation to sugar production. No one contends that they seek to do this on a philanthropic basis; they intend the operation to be profitable, just as any other corporation would. However, the further fact does remain that the proposed quota would be granted to the Bahamas—not Owens-Illinois—and that the government of the Bahamas would be in a position to set terms and conditions with Owens-Illinois or any other interested producer. Contrary to implications contained in the separate views, plans to undertake sugar production have been supported enthusiastically by the Bahamian Government—so much that it has agreed to make avail-

able some 45,000 acres of land once the project is assured.

On balance, Mr. Chairman, it seems to me that the interests both of the United States and the people of the Bahamas may well be served by inclusion in the bill before us of the 10,000-ton quota in question. I find no evidence whatever that Owens-Illinois has acted other than honestly and for objectives which would do credit to any enlightened corporation.

Mr. WILLIAMS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and one Members are present, a quorum.

Mr. DAGUE. Mr. Chairman, I yield 10 minutes to the gentlewoman from Washington [Mrs. MAY].

[Mrs. MAY addressed the Committee. Her remarks will appear hereafter in the Appendix.]

Mr. UTT. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Ninety-four Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 364]

Abbutt	Diggs	Long, La.
Anderson, Tenn.	Dingell	McClary
Andrews, George W.	Donohue	McMillan
Annunzio	Dulski	McVicker
Arends	Edwards, Calif.	Macdonald
Aspinall	Evans, Colo.	Madden
Baring	Everett	Marsh
Barrett	Evins, Tenn.	Mathias
Bates	Farnum	Michel
Battin	Flood	Minish
Bingham	Foley	Morrison
Blatnik	Frelinghuysen	Morton
Boggs	Fulton, Pa.	Nix
Bolling	Fulton, Tenn.	O'Hara, Ill.
Bolton	Green, Oreg.	Olson, Minn.
Bonner	Grider	Patman
Brock	Griffiths	Philbin
Brown, Calif.	Hagan, Ga.	Pool
Broyhill, N.C.	Hagen, Calif.	Powell
Byrne, Pa.	Hanna	Purcell
Cahill	Hardy	Rivers, S.C.
Carter	Harris	Roberts
Cederberg	Harsha	Rodino
Chelf	Hays	Satterfield
Clausen, Don H.	Hébert	St Germain
Clawson, Del	Herlong	Saylor
Clevenger	Hollifield	Smith, Calif.
Collier	Holland	Teague, Tex.
Conte	Hosmer	Thomas
Craley	Howard	Thompson, N.J.
Culver	Jacobs	Thompson, Tex.
Cunningham	Johnson, Okla.	Toll
Curtis	Jones, Ala.	Vivian
Davis, Wis.	King, N.Y.	Walker, Miss.
Delaney	King, Utah	White, Idaho
	Kluczynski	Whitten
	Lindsay	Wyatt
	Lipscomb	

Accordingly the Committee rose; and the Speaker, having resumed the chair, Mr. BURKE, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill, H.R. 11135, and finding itself without a quorum, he had directed the roll to be called, when 318 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentlewoman from Washington [Mrs. MAY] is recognized for 9 minutes.

Mr. CALLAN. Mr. Chairman, will the gentlewoman yield?

Mrs. MAY. I yield to the gentleman from Nebraska.

Mr. CALLAN. Will the gentlewoman tell the committee how the foreign allocations were made by the Committee on Agriculture?

Mrs. MAY. First, I should like to point out to the Members of the House that there is a committee report just released today by the ad hoc sugar committee, of which I was a member, which explains in quite some detail the formula on which we worked to reach the various allocations for the foreign countries. It is not a lengthy document, and it should throw factual light, rather conjectural heat, on how we arrived at these foreign quotas. I urge the Members of the House to read that report. The report shows the procedures by which we arrived at the quota allocations to foreign countries. This then became a part of the recommendation that was made to the Committee on Agriculture as a whole and was voted upon.

Mr. CALLAN. Mr. Chairman, will the gentlewoman yield further?

Mrs. MAY. I yield to the gentleman from Nebraska.

Mr. CALLAN. Is it not true there were four Members of the majority and four Members of the minority on that committee?

Mrs. MAY. Yes. Their names, including my own, are found on page 8 of the report.

Mr. CALLAN. Is it not true that you made the recommendations and then came back with these recommendations to the Committee on Agriculture?

Mrs. MAY. That is correct.

Mr. CALLAN. And these recommendations were adopted?

Mrs. MAY. That is correct.

Mr. Chairman, before I was so pleasantly interrupted by the quorum call I was trying to make the point that I should like to caution the critics of that section that in their zeal to clean up whatever soil—real or imagined—they may feel is now on the fair name of this House—I should like to caution the critics, Mr. Chairman, that in this zeal do they not destroy a sound and workable program, the sugar program, a program which for more than 30 years has served the Nation well.

In other words, Mr. Chairman, in our pique let us not throw out the baby with the bath water.

I have heard the suggestion made, Mr. Chairman, that the quota system for sugar be abandoned, and that a high tariff be substituted. May I remind my colleagues that the quota system for sugar was evolved after nearly 150 years of experience with the tariff as the primary and usually the sole instrument for effecting national sugar policy had demonstrated that the tariff alone would not do the job of implementing a sound national sugar policy.

We have had experience with sugar tariffs from the beginning of our existence as a nation. The second law passed by the first Congress under the Constitution—the second law passed during the first term of George Washington—was a law to raise revenue for the new Na-

tion, a tariff law which included a tariff on sugar.

The rate on brown sugars incidentally, was 1 cent a pound, while on loaf sugars the rate was 3 cents a pound. The sugar loaf was the form in which most household sugar was sold in those days, I understand, and so the higher rate on loaf sugar, in addition to providing income for the young Government, also provided protection for the small cane sugar refining industry which existed in New York at that time. We had no sugar producers when our Nation was born, and the sugar tariff was already on the books when the first sugar producers came under the American flag through the Louisiana Purchase in 1803.

A hundred and thirty years later the sugar situation of the United States was vastly more complex, and it was obvious that that tariff alone was not implementing an effective national sugar policy. By that time, sugar producers in Hawaii, Puerto Rico, and the Philippines—as well as on the continental United States—were under the American flag. Moreover, there were substantial American interests in Cuba, which, because of a preferential tariff and low labor costs, had captured a large part of the American sugar market. And the entire sugar industry, foreign as well as domestic, was on the verge of bankruptcy.

That was the situation when the U.S. Tariff Commission, in April 1933, pointed out that something in addition to a tariff was needed, and proposed that a system of marketing quotas be developed. It seems to me, Mr. Chairman, that it is significant that the initial suggestion that sparked the development of our present quota system for sugar came from the Tariff Commission itself.

In the law that the Congress later enacted, the Congress determined that our Nation's sugar policy should have several goals, not just a single goal. One of the objectives, the Congress decided, should be to assure American consumers an adequate supply of sugar at reasonable prices. Another goal should be to help provide an economic climate for a healthy and competitive domestic sugar industry. A third goal, the Congress decided, should be to encourage an export trade.

Mr. Chairman, through the years, for more than 30 years the sugar quota system has been in existence, this legislation has achieved at least two of its three intended goals to a remarkable extent. I fervently wish, Mr. Chairman, that all the other laws we enact in this Chamber achieved their high purposes to the degree that the Sugar Act has, in its various amendments, for nearly a third of a century.

Let us look at the first goal, for example—assuring adequate supplies of sugar for American consumers at reasonable prices:

In contrast to the decades before the first Sugar Quota Act was passed, decades during which consumers alternately faced sugar shortages with sky-high prices and oversupply with cheap prices, American sugar consumers for more than 30 years have been assured of ample supplies at prices that are not only stable

but that are reasonable by any fair standard of measurement.

In this respect let me point out, Mr. Chairman, that using prices on the so-called world market as a standard for measuring sugar prices in the United States, or in any other country, is patently unfair. The so-called world market is not a true world market in any sense of the word—it does not reflect prices all over the world—it is a thin, residual market, on which only 10 to 15 percent of the world's sugar is traded. It is homeless sugar, which has no other place to go. Nearly all the world's sugar trade—production as well as marketing—is regulated by national sugar systems, or by special arrangements between nations. For example, there is the British Commonwealth system, and there is the French colonial system, among others. In addition, there are bilateral arrangements between some nations. The only sugar traded on the so-called world market is the residual production, the sugar that is not consumed in its country of production, that is not traded within the Commonwealth, the French, the United States, and other large national systems, and sugar that is not covered by some other arrangement between or among nations. Since sugar in the world is usually in surplus, the residual, homeless sugar consequently is usually sold at depressed prices—often below the actual cost of production.

Anyone who presents the so-called world market price as a standard for measuring U.S. prices, or who implies that everyone else in the world buys at the depressed, so-called world price, while we, alone, pay a higher price, is either displaying his abysmal ignorance of the true world sugar situation, Mr. Chairman, or is deliberately attempting to deceive his audience—whether his audience is the public at large, or the Members of this House.

Mr. Chairman, the only true and honest way to obtain an idea of whether sugar prices in the United States are reasonable and fair is to compare the prices paid by our consumers with the prices paid by consumers in other nations. Such a comparison shows conclusively that in terms of cents per pound, the price of sugar to U.S. consumers is near—sometimes below—the average of prices paid by consumers in other nations. For example, a United Nations survey made a few years ago showed that the price of sugar in the United States was no more than the average of the sugar prices in 121 nations around the world. In fact, consumers in the United States, under the Sugar Act, usually pay less per pound for sugar than do consumers in many other countries. Recently, for example, a spot check was made of average sugar prices on January 1 of this year in representative countries, and the check showed that on that date the average retail price for a pound of sugar in the United States was 11.62 cents; in France, 12.6 cents; in Italy, 16 cents; in Japan, 14.2 cents; in the United Kingdom, 11.1 cents; in West Germany, 14 cents; in Sweden, 15 cents; in Yugoslavia, 13.3 cents, and so on.

As measured in terms of wages—that is to say, the amount of time a workman must labor, at average wage rates, in order to buy a pound of sugar—the price of sugar in the United States is the lowest in the world; for nowhere else does the average worker need to work fewer minutes at his lathe or workbench to earn the price of a pound of sugar.

CANADA

It has been pointed out that the price of sugar in Canada is lower than in the United States. This is true because Canadian sugar prices are permitted to reflect the world prices of sugar. In making this comparison, however, it should be remembered that there is a significant difference between the Canadian and United States sugar programs.

In Canada domestic sugar beet producers account annually for some 150,000 short tons of sugar, which represents about 20 percent of Canadian consumption. The balance is supplied by imports which are governed by world price conditions. Canada protects its own growers by means of deficiency payments designed "to relate the assistance to beet producers directly to fluctuations in world prices, thus protecting the industry against price uncertainties on the world market." The result of the substantial influence of world prices is that sugar prices in Canada vary much more sharply than in the United States. This price behavior is illustrated in the attached table which compares Canadian wholesale prices, Montreal, with the wholesale price of cane sugar in the Northeast United States.

The table shows that from May 1963 through February 1964 the Canadian price was more than double the average for 1962 and at times was 4 to 5 cents per pound higher than the U.S. price. At the same time the price in the United States remained comparatively stable.

In essence, the difference between the two systems is this: the United States considers price stability a primary objective while Canada, with the need to protect a domestic sugar source supplying only 20 percent of its needs, allows its main sugar supply to follow the fluctuations of world prices which are at times substantial.

The Canadian system is quite unsuitable to the United States and, in fact, could be very dangerous. Two-thirds of American sugar consumption is accounted for by industrial users organized in a complex system which would find a lack of stable prices injurious and uneconomical. It would be virtually impossible to maintain complicated manufacturing schedules which contemplate advance pricing of finished goods and sales methods involving extensive advertising.

As the largest buyer of sugar in the world, the United States places a premium on assurances of supply and accompanying price stability. Price is the principal means of support of the American sugar producing industry since direct payment to growers is a small proportion of the total cost of production. Canada's system permits her to take advantage of the current low dumping

world price of sugar, even increasing imports of Cuban sugar from about 40,000 metric tons in 1961 to 67,000 metric tons in 1963. However, Canada does this at the risk of a highly fluctuating internal domestic price, a risk which the United States has not taken in the past and should not run in the future.

Canadian and United States refined wholesale sugar prices compared by months, 1962-65

Year and month	Wholesale granulated, ¹ standard Montreal, 100-pound bag	Refined cane ² sugar, wholesale, Northeast
1962		
January.....	6.55	9.37
February.....	6.60	9.50
March.....	6.85	9.50
April.....	7.00	9.60
May.....	7.10	9.60
June.....	7.10	9.60
July.....	7.20	9.60
August.....	7.30	9.62
September.....	7.30	9.70
October.....	7.30	9.70
November.....	8.40	9.70
December.....	8.40	9.72
Average.....	7.20	9.60
1963		
January.....	10.00	9.99
February.....	10.60	10.05
March.....	10.95	10.16
April.....	12.30	10.98
May.....	15.15	14.09
June.....	15.90	14.15
July.....	14.60	13.03
August.....	11.85	11.42
September.....	12.30	10.76
October.....	16.60	12.34
November.....	18.65	13.43
December.....	16.15	12.95
Average.....	13.75	11.94
1964		
January.....	17.10	13.06
February.....	15.10	12.63
March.....	12.75	11.85
April.....	13.15	11.30
May.....	13.05	10.78
June.....	10.15	10.01
July.....	9.80	9.85
August.....	9.40	9.95
September.....	8.20	9.67
October.....	8.20	9.60
November.....	8.20	9.60
December.....	7.45	9.83
Average.....	11.02	10.69
1965		
January.....	7.15	10.20
February.....	7.15	10.25
March.....	7.50	10.14
April.....	7.00	10.05
May.....	7.10	10.12
June.....	6.80	10.20
July.....	6.55	10.20
August.....	(3)	(2)
September.....	(3)	(3)
October.....	(3)	(3)
November.....	(3)	(3)
December.....	(3)	(3)
Average.....		

¹ From "Prices and Price Indexes," Dominion Bureau of Statistics. Prices Division, Catalog 62-002, monthly, Canada, tables 10, 4, and 5 (filed in Commerce Library).

² USDA Sugar Reports.

³ Unavailable.

Only a little more than 2 years ago, Mr. Chairman, in the spring of 1963, we had a dramatic demonstration of the Sugar Act's importance in obtaining adequate supplies of sugar for American consumers at reasonable prices. During a world sugar crisis, when supply suddenly fell short of demand, and prices elsewhere in the world climbed to levels much higher than prices in the United States, certain foreign sugar interests were reluctant to ship to the United

States the quantities of sugar we needed, at the times we needed it, at reasonable prices. In that time of emergency our Government, while continuing to scour the world for available sugar, turned to domestic producers and asked for all-out production to meet the needs of American consumers. The splendid record of the domestic industry, and particularly the domestic beet sugar industry, in responding to the call of our Government is well known. It is difficult to imagine the catastrophic effect of that sugar crisis on the American consumer if there had been no domestic sugar producing industry to stem the tide of rising prices. The importance of the Sugar Act in this connection was emphasized by a Government official appearing before the Subcommittee on Consumer Affairs of the House Banking and Currency Committee shortly after the crisis. The then Under Secretary of Agriculture, Charles S. Murphy, told the subcommittee:

Finally, let me say that all of us should be grateful for our sugar legislation over the years and the assurance it has made possible for sugar supplies at this time. It should be abundantly clear that U.S. sugar supplies today would be infinitely more precarious if we had not had the protection of this law and the quota system over the past 30 years. For without this system, our domestic sugar industry might not have survived the disastrously low world prices of 1960-62. U.S. farmers today are producing and the U.S. processing industry is manufacturing 6 million tons of sugar that constitutes nearly 60 percent of our sugar supplies. The protection that the Sugar Act has afforded over the years has maintained a healthy and growing domestic sugar industry which is indispensable in such a period of tight world supplies.¹

The Sugar Act thus obviously has achieved two of its three principal purposes—to assure American consumers of adequate supplies of sugar at reasonable prices, and to help maintain the economic atmosphere in which a healthy, competitive domestic sugar-producing industry can exist.

The third purpose—to encourage the export trade of the United States—has fallen short of fulfillment. There is no assurance that the dollars we send abroad to buy sugar will ever return to us through the purchase of American goods. Attempts to tie sugar purchases by us directly into the purchase of American agriculture commodities have failed miserably. In too many cases, Mr. Chairman, the dollars we sent abroad for sugar wind up in the hands of the oligarchies that own most of the foreign sugar industries, particularly in the Latin American countries, and at least some of the dollars wind up, I am told, in numbered accounts in Swiss banks.

Nevertheless, Mr. Chairman, although one of the purposes of the sugar program may and does fall short of accomplishment, this is no reason, I maintain, to destroy the whole program. The perennial critics of the sugar program,

who have a hey day of capturing headlines whenever the Sugar Act is being considered by the Congress, have never once proposed a better program for meeting the needs of the United States.

And so, Mr. Chairman, I say to my colleagues who for one reason or another may not like the foreign section of the present bill: Do not destroy a proven and worthwhile program, one which has operated in the overall interest of the United States for nearly a third of a century. Do not destroy such a program because you do not like one part of it.

I may say that during the debate on the rule on this legislation I presented the formula for arriving at a true, a reasonable, and a fair way of seeing whether the prices paid by the consumers of the United States are reasonable and fair. In that debate the question was brought up as to the difference between the price of Canadian sugar and United States sugar. In essence the difference between the two systems is this. The United States considers price stability a primary objective while Canada, with the need to produce a domestic sugar supply, and being able to supply only 20 percent of its needs, allows its main sugar supply to follow the fluctuations of the world price which are, at times, substantial. At the proper time, as I have said, I shall make this comparison of prices a part of my remarks.

Mr. FRASER. Mr. Chairman, will the gentlewoman yield for a question?

Mrs. MAY. I yield.

Mr. FRASER. I do not mean to interrupt the gentlelady's statement, but as long as she was referring to this table, I should like to ask a question or two about the foreign allotments in this bill. As one who has taken quite an interest in this, I thought she might be able to help me. Let us take the country of Venezuela. Up until this year, as I understand, Venezuela had no quota at all. Suddenly she has a very substantial quota, one that is substantially larger than that recommended by the administration. Venezuela, which is an important country in Latin America, also has one of the highest per capita incomes. We do not provide that country with any foreign economic assistance or, if we do, it is very little, because they have very substantial natural resources in iron ore and in oil and other items. Could the gentlelady explain why it is that Venezuela has such a substantial quota? What process was employed to arrive at that decision?

Mrs. MAY. First of all, has the gentleman read the basic formula on which we worked? We went back to the 1962 quota formula. The gentleman will have to start with the basic formula on which the committee recommended these quotas. If the gentleman wants to have a breakdown country by country, that would consume more time than we have here. Although, I am sure, the chairman would be glad to supply this information to the gentleman, if he wished.

Mr. COOLEY. Mr. Chairman, if the gentlewoman will yield, I would like to say to the gentleman that Venezuela is

the very best customer we have in all of Latin America. In 1964 they produced 378,000 tons. They asked for a quota of 50,000. We gave them a quota of about 30,000.

Mr. FRASER. It was my understanding that one of the bases on which we gave a quota was the country needed help that would come from substantially higher prices than prices on the world market. Venezuela does not do very well against that kind of consideration for a relatively well-off country.

Mr. COOLEY. They have money, the gentleman is right. But they have a source of supply for sugar which we need in our country. This is one time when we have given a quota to Venezuela.

Mr. FRASER. Mr. Chairman, if the gentlewoman will yield further, I am curious to know about the Dominican Republic, along the same lines. This is a country which is very much in need of rehabilitation of its economy.

The CHAIRMAN. The time of the gentlewoman from Washington [Mrs. MAY] has expired.

Mr. COOLEY. Mr. Chairman, I yield to gentlewoman 2 additional minutes.

Mrs. MAY. Mr. Chairman, may I say to the gentleman that, as I have already said, it would consume a great deal of time to go into this matter country by country as to quotas. I would ask the gentleman to read this report and see that we tried to give special weight to countries that did trade with us. As a matter of fact there were many members of the committee including me who thought that we should have given a greater accent to this. But this was one factor we used in the basic formula.

Mr. FRASER. Mr. Chairman, if I may make one further comment. Venezuela had no allotment in 1962. That is why I do not understand the historical relationship.

Mrs. MAY. There is an economic relationship, however, as the chairman has tried to explain.

Mr. COOLEY. Mr. Chairman, for the record I think I can say to the gentleman that it is expected that if the Dominican Republic straightens out its government and comes into the society of free nations of the world, the deficit which we always have probably will all go to the Dominican Republic other than that which much of necessity go elsewhere.

Mrs. MAY. Mr. Chairman, may I say to the gentleman that if Venezuela or any of these countries have lobbyists here, I personally do not know any of them. I worked on this formula independently within this ad hoc committee. I would like to make it clear that this refers to the Members on my side of the aisle, too, who were on the committee.

Mr. DOLE. Mr. Chairman, will the gentlewoman yield?

Mrs. MAY. I yield to the gentleman.

Mr. DOLE. Mr. Chairman, I might point out with reference to Venezuela that we have an unfavorable balance of trade. As pointed out on page 48 of the report it amounts to about \$370 million with that country, due, I understand, to the large amount of oil imports.

¹ From p. 28 of printed record of hearings re factors relating to recent sharp increases in sugar prices, before Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, June 5, 1963.

I, of course, raised this question in the committee. There are several countries that have substantial quotas with whom we have an unfavorable balance of trade.

Mr. FINDLEY. Mr. Chairman, will the gentlewoman yield?

Mrs. MAY. I yield to the gentleman.

Mr. FINDLEY. Indeed, the unfavorable balance of trade that the United States has with Venezuela is the greatest in the Western Hemisphere.

Mr. PELLY. Mr. Chairman, will the gentlewoman yield?

Mrs. MAY. I yield to the gentleman from Washington.

Mr. PELLY. Mr. Chairman, I would like to confirm with the gentlewoman from Washington that in our State of Washington we have a great interest in the sugarbeet allotment under this bill. As I understand it, it would be particularly helpful in that area where the Hanford plutonium work has been curtailed and, therefore, as contained in this bill our sugarbeet growers would be benefited as against the existing situation; is that correct?

Mrs. MAY. The gentleman is correct and he has struck right at the heart of the problem in representing our American farmers who must have this bill. As I said earlier, regardless of our disagreement over the foreign country quotas, the domestic farmers—American beet growers and American cane growers—will be seriously hurt as a result of severe cutbacks if they do not get this legislation.

Mr. Chairman, I say to my colleagues therefore as I do to my colleague, the gentleman from Washington [Mr. PELLY], who is supporting me on this, do not destroy a worthwhile program, one which has operated in the overall interest of the United States, for one-third of a century. Do not destroy such a program just because you do not like one part of it.

Mr. HARVEY of Michigan. Mr. Chairman, will the gentlewoman yield?

Mrs. MAY. I am glad to yield to the gentleman from Michigan.

Mr. HARVEY of Michigan. Mr. Chairman, I want to compliment the gentlewoman from Washington on her presentation and upon the work which she has done for the domestic sugarbeet industry.

Mr. Chairman, as one who represents numerous sugarbeet growers in my own district, I certainly want to associate myself with the remarks of the gentlewoman from Washington and I want her to know that I rise in support of this legislation and will do anything I can to assure its passage.

I believe the gentlewoman has stated very well what this bill represents, not only foreign interests but the interests of our domestic growers as well and that is what we have to remember.

(Mr. HARVEY of Michigan asked and was given permission to revise and extend his remarks.)

Mr. HARVEY of Michigan. Mr. Chairman, I rise also in support of H.R. 11135, the Sugar Act Amendments of 1965. The enactment of this bill is essential to our domestic sugarbeet industry. I say it is essential because our

domestic industry is now holding sugar in storage from previous years, and only the increase in the domestic quota provided by this bill can solve the problem.

Much has been said, Mr. Chairman, about the evil of the sugar lobbyists for the foreign nations. Certainly, I share the fears of those who feel that the actions of these lobbyists cannot be justified. But, Mr. Chairman, this bill affects the domestic sugar industry as well as foreign nations. If no bill is enacted, believe me, our domestic industry will suffer. A way must be found to increase the quota of our domestic sugarbeet industry, and this bill accomplishes just that.

(Mr. HANSEN of Idaho (at the request of Mr. DAGUE) was given permission to extend his remarks at this point in the RECORD.)

Mr. HANSEN of Idaho. Mr. Chairman, on the opening day of the 1st session of the 89th Congress I introduced a bill, H.R. 311, to increase the amount of domestic beet sugar and mainland cane sugar which could be marketed during 1965 and 1966. It called for an increase of 1 million short tons, raw value, in each of those calendar years.

On March 4 I called the attention of the House to House Joint Memorial 6 of the Idaho State Legislature urging the Congress to give much-needed relief to the sugarbeet growers of the State of Idaho. This memorial appropriately calls attention to the fact that domestic sugarbeet growers and processors have amply demonstrated their ability to produce sugar when it was needed for consumers in 1963 and 1964. Due to the fact that they met this emergency at the request of our Department of Agriculture which, in the middle of the stream, then changed its course, the U.S. domestic beet sugar industry is now confronted with excessive inventories of sugar in relation to permitted marketings under the existing Sugar Act. Because of this there is urgent necessity for enactment of legislation extending and amending the Sugar Act and thus providing a market for the domestic production. If this is not done, production will have to be cut back in 1966.

Mr. Chairman, the sugarbeet industry in Idaho has been concerned with the delay in action by this Congress, and awaits our action. I had hoped that we would be considering legislation which would have increased our domestic marketing quotas by the 1 million short tons contained in H.R. 311. But, in the wisdom of our Committee on Agriculture, this increase was limited to 580,000 short tons, raw value. While this is not all I had hoped for, it is a step in the right direction and I urge all of my colleagues to join me in supporting H.R. 11135.

Mr. COOLEY. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. CLARK].

(Mr. CLARK asked and was given permission to revise and extend his remarks.)

Mr. CLARK. Mr. Chairman, I rise in support of H.R. 11135 and ask permission to revise and extend my remarks at the point in the RECORD. Mr. Chair-

man, a proposal for an import fee on foreign sugar equal to 50 percent of the difference between the U.S. and world market prices was rejected this year by President Johnson. The gentleman from Illinois, Representative FINDLEY, proposes an even heavier import fee of 75 percent.

This proposal should be rejected as harmful to the American sugar consumer as well as to foreign sugar suppliers.

The proposed amendment would require that 75 percent of the difference between the world market price and the price paid by the United States for foreign sugar would be paid into the U.S. Treasury rather than to foreign sugar suppliers. This would have the effect of narrowing the gap between the U.S. price and the world price and will therefore discourage foreign suppliers from shipping to the United States. In the past when this gap has been narrowed, or when the U.S. price has fallen below the world price as occurred in 1964, foreign suppliers have turned to the world market and the price of sugar to the American housewife has shot sky high.

The proposed amendment is absolutely in conflict with U.S. trade policies. A duty of 62 cents per 100 pounds, or about 10 percent of the sales price, is already imposed on foreign sugar. Based on the current spread between the U.S. and world market prices, the proposed amendment would impose a tariff of an additional \$2.60 per 100 pounds. When this is added to the present tariff of 62 cents per 100 pounds, the result is a tariff of \$3.20, or over 50 percent of the sales price. In an era when U.S. trade policies have cut tariffs on imports into the United States to an average of 10 percent, a 50-percent tariff is absolutely unthinkable. The present 10-percent duty is in line with U.S. trade policies and is all that is needed.

Finally, as President Johnson noted in proposing elimination of a special import fee on sugar, the tariff would be extremely harmful to the Alliance for Progress nations who are the primary foreign suppliers of sugar to the United States after the Philippines. To impose a 50-percent tariff on the sugar supplied by these countries, when at the same time we are trying to help them toward economic stability, would defeat our own policies and would be against the interests of the United States.

Mr. DAGUE. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. FINDLEY].

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, with the uncertainty of the time situation, I would like to say at the outset I hope that during my remarks there will be time to respond to questions and I hope that questions will come.

But I do have a number of things I would like to review for the Members and if any who wish to question me would kindly withhold their questions until the conclusion of my statement, I would appreciate it. Then I will gladly

yield and if necessary will seek additional time to consider and answer any questions that may be presented to me.

Mr. Chairman, I suspect I speak the truth in saying that there is probably no one in this House of Representatives who has not been embarrassed in some way in respect to the foreign sugar lobby and the activities of this group over the years.

The chairman of the committee, the gentleman from North Carolina [Mr. COOLEY] yesterday issued a very interesting statement. One thing he said, I thought, had particular application to the amendments that have been made in order by the Committee on Rules and which will be voted on shortly by the Committee of the Whole.

He spoke of the need—and I use his direct words “to guard the integrity of the Congress.” My sole reason for offering the amendment which would put the foreign sugar lobbyists out of business is to guard the integrity of the Congress and hopefully to sweep away this cloud of doubt and suspicion which I think all of us know has hovered over this legislation for a good long time.

I have presented to each Member's office a copy of both amendments in full and a comment about the history of each. I have clarified as clearly as I know how what the amendments will do and what they will not do. I will not take the time to review those documents.

In summary, the important fee amendment will help our balance of payments. Just how much nobody knows for sure. It depends upon the volume of sugar. It depends upon the world price of sugar. It depends upon the precise price objective that the Secretary establishes each year as the goal for the domestic price of sugar.

But if I may make an assumption, and assume present prices, the gain for the balance of payments during the 5-year term of this act will exceed \$1 billion or over \$200 million a year.

It is obvious we still have a serious balance-of-payments problem, so this is a major consideration, or should be a major consideration, on this import fee proposal. To the extent that this import fee puts dollars in the U.S. Treasury, it benefits the entire Government. We have concluded a fiscal year with a heavy deficit and we are going into a year which it is certain will have another deficit.

I cannot imagine anyone arguing against the wisdom of putting about \$200 million a year into the Treasury of the United States if it would have no serious adverse effect on the interest of the United States in other respects. It would have no such adverse effect. It would have no effect whatever on the domestic price of sugar.

It would reduce the profiteering and the opportunity for profiteering. Therefore, it would cut back the danger of wheeling and dealing which is implicit in the hefty big money which is a part of the foreign sugar quotas.

This import fee would return to the U.S. Treasury 75 percent of the difference between the world price and the domestic price of sugar. This would

still leave an ample incentive for all of the foreign producers to ship to the United States to the limit of their quotas.

Mention is made of the effect this import fee might have on foreign policy. The proposed legislation lets Latin American and other producers who pay as low as 7 cents an hour for cane field workers and a top rate of 30 cents an hour—in one lone country—get almost as much for the sugar that they sell to the U.S. market as the U.S. producers do. I see present Members from the State of Hawaii, where the income of cane field workers is in excess of \$3 an hour. Compare that with 7 cents an hour and you can get some small idea of the big profit that is involved in the foreign sugar quotas.

At present prices, the pure profit is nearly double the world market price of sugar. The world price is less than \$40 a ton; the U.S. price is about \$110. So each ton has about \$70 of pure profit in it for foreign producers. Would the profit in this bill assure any better wages or living conditions for the workers in the cane fields? There is no assurance whatever in this legislation that that would result. Very likely it would simply make the rich even richer.

The proposed bill would lock in for a 5-year period profiteering on this incredible scale.

I voted for the Alliance for Progress. Foreign aid, which goes to a friendly government for a specific purpose and social improvements, is one thing. Profiteering, which lines the pockets of the rich and powerful, and perhaps helps to finance some of the oppressive regimes which have flourished off and on in Latin America, is quite another thing.

Does it help our foreign policy, I wonder for us in this legislation to guarantee 5 years of pure profit to Dr. Francois Duvalier of the government of Haiti, who is, without any question, the most oppressive tyrant in the Western Hemisphere?

Is it to our foreign policy's best interests to give him access to quotas in our sugar bill, access to quotas which carry a 5-year premium value of \$10 million?

We speak of foreign policy. Well, the President, in announcing his reversal of position on the import fee, referred to our Latin American policy. But in withdrawing the import fee, we also withdraw the import fee for the non-Latin countries, too.

How about Swaziland, South Africa, Australia, Rhodesia, and Fiji? Is Australia an underdeveloped area which must be showered with excess profit on sugar quotas? This bill would give Australia unless my import fee amendment is adopted, an annual premium of \$11 million over the world price of sugar.

And South Africa: Is it our foreign policy to help finance apartheid by dropping the import fee on sugar we buy from that land?

And Fiji, a part of the British system, which already has access to the protected British market. Is it our foreign policy to lock in for 5 years excess sugar profit worth \$1.7 million a year to Fiji?

And India: In this bill the Indian quota has an annual premium value of

over \$4.5 million. Is it our foreign policy to lock in this bonanza for India, no matter what the next 5 years may bring in relation to the policy of India regarding Pakistan?

And Panama: This bill would lock in for Panama a quota of 25,134 tons. At present prices, the quota is worth \$1.7 million a year. Is it our foreign policy to guarantee \$1.7 million a year in excess profit to Panama for 5 years, regardless of what Panama may do in regard to the Panama Canal, regardless of what they may do in the way of insults to our flag, including destruction and threats to our property down there? Is our memory so short?

This bill would guarantee \$1.7 million a year in excess profit to Panama for 5 years. I say it is not wise policy for Congress to do that.

Now I should like to talk a little about the lobbyist amendment. My reasons for proposing this amendment are twofold. First, let me make clear that I distinguish—and the amendment distinguishes—between foreign and domestic lobbyists. These foreign sugar lobbyists, to which my amendment applies—and it applies only to foreign sugar lobbyists—do not benefit the United States in any way, shape, or form. They supply no information whatever that is not readily available to the Congress from any of several official sources.

The Committee on Agriculture, to my knowledge, is the only committee of the House of Representatives which permits direct testimony by an agent of a foreign government at any time. Think about that. Can anyone cite another committee of this House which permits it?

Mr. COOLEY. Mr. Chairman, will the gentleman yield for a correction?

Mr. FINDLEY. I yield to the gentleman from North Carolina.

Mr. COOLEY. We do not permit it. Foreigners are not permitted in that committee room, and the gentleman knows it.

Mr. FINDLEY. My good chairman is twisting my words. I did not say “foreigners.” I said “foreign agents.”

Mr. COOLEY. The agents the gentleman is talking about are registered at the Department of Justice. He went down one Monday morning and looked up the names, and they were published in the paper.

Mr. FINDLEY. They are agents of foreign governments and are given access to the committee room and permitted to testify, and I say that this is the only committee of the House of Representatives where that type of policy is permitted.

Mr. COOLEY. They come in only because we do not let representatives of foreign governments come in.

Mr. FINDLEY. I might say to the chairman of the Committee on Agriculture that whenever any question of quotas or trade policy or the financial interests of any other foreign government is involved, no other committee permits either the national of that country, to appear before the committee or an American, for that matter, to represent that government. This is the only committee which permits the foreign

agents of a government to testify before the committee.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I am glad to yield to the gentleman from California.

Mr. TEAGUE of California. I cannot vouch for this personally, but I have just been informed that both the Committee on Interstate and Foreign Commerce and the Committee on Foreign Affairs permit testimony by foreign agents.

Mr. FINDLEY. I have made inquiry on that. I could be wrong, I grant to the gentleman, my good friend from California, but I have made direct inquiries and I am informed that this is not the case, that neither of these permit any testimony from foreign agents.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Iowa.

Mr. GROSS. If there have been any foreign agents who testified before the Committee on Foreign Affairs this year or last year, I do not know who they are or where they come from.

Mr. FINDLEY. If I may proceed for a moment, this bill is a revenue bill.

Mr. STRATTON. Mr. Chairman, will the gentleman yield for a correction?

Mr. FINDLEY. I yield to the gentleman from New York.

Mr. STRATTON. The gentleman said he knew of no other committee. I might advise the House that the Committee on Armed Services had testimony from representatives of the Philippines. Philippine citizens were heard in connection with the disposal of the Abaca stockpile. Certainly this practice is not barred from other committees.

Mr. FINDLEY. The disposal of what?

Mr. STRATTON. The disposal of our stockpile, or in connection with the disposal of our stockpile. We had testimony from Philippine citizens.

Mr. FINDLEY. With respect to the disposal of U.S. property over there.

Mr. STRATTON. I just wanted to correct the point the gentleman made.

Mr. FINDLEY. I am glad to have that contribution, but my point still stands that no other committees permit representatives or agents of foreign governments to testify.

Mr. Chairman, I started to mention that this is a revenue measure, and one might have thought that it would go to the Ways and Means Committee. But it did not. By custom, it has gone to the Committee on Agriculture.

Had this measure gone to the Committee on Ways and Means, I raise this question: Would the foreign sugar lobbyists have lasted 1 day?

I am informed that the Ways and Means Committee has a firm and fixed policy that if any foreign government wants to make a representation to it, that representation must come through diplomatic channels by way of the State Department. The Ways and Means Committee, so I am informed, will not permit any foreign interest to testify directly to it.

The main point about the lobbyists is that they make Congress look bad at home and abroad. Countries are led to

believe that they have to pay somebody in order to get a quota. I cite the Government of Argentina on that point.

Lobbyists appear to influence the size of quotas. Here I cite Argentina and Venezuela. Lobbyists appear to influence the value of quotas.

The chairman of the Committee on Agriculture, as a part of the hearings, paid tribute to one of the lobbyists, Arthur L. Quinn, and gave him credit for bringing about a protest in Latin America which caused the administration to reverse its position and drop the import fee.

Lobbyists try to puff their own influence. This leaves a bad impression. John A. O'Donnell, for example, tried to convey the false idea that Senator HUMPHREY, now our Vice President, did his bidding by introducing a bill. The law firm of Surrey & Karasik passed to Dominican officials utterly misleading information about their efforts to influence Senator BYRD on sugar legislation by way of a Virginia law firm.

The size of lobbyists fees causes suspicion and raises questions. Charles Patrick Clark, who had little if any experience in sugar, has had \$44,000 paid to him in the last 3 months from Venezuela. What did he do to earn the money as a sugar lobbyist for Venezuela? What is he telling his principal back home to justify this money? Cannot you see how this sort of thing raises a cloud of doubt and suspicion over the entire Congress?

Between them, two lobbyists for five small Latin American countries, Sheldon Z. Kaplan and Miss Dina Dellale, get nearly \$100,000 a year. How do they justify these fees? What do they tell their clients?

These are proper questions which we ought to consider as we consider my amendment.

The lobby shows no sign whatever of purging itself. Several of these lobbyists with unattractive past records are still in business. John A. O'Donnell, formerly on the Philippine War Claims Commission, was charged in 1962 by the Senate committee with collecting fees from clients on claims he had earlier helped to adjudicate, was charged with deceiving and misleading the Congress and the executive branch and his own clients; was charged with failing to file required information with the U.S. Department of Justice; served as middleman for Philippine sugar interests in passing out over \$15,000 for 1960 congressional campaigns.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DAGUE. I yield the gentleman 1 additional minute.

Mr. FINDLEY. How much of this still goes on? This is a proper question in your mind and in my mind, and in the minds of the American people and in the minds of the foreign countries.

Ernest Schein, now representing Colombia, was associated with O'Donnell during the war claim days, first as chief examiner with the Commission and then as a fee-splitting associate.

Walter Surrey, charged with misleading clients and failing to comply with the Foreign Agents Registration Act,

originally got paid for sugar lobbying partly with contingency fees, as did several others.

It makes one wonder how much of this is going on behind the scenes.

Mr. RUMSFELD. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. Yes, I will be glad to yield to the gentleman.

Mr. RUMSFELD. There is a saying that one hears in Washington time after time, that the way to get along is to go along, and do not rock the boat. The gentleman from Illinois is not going along, and is rocking the boat. I think he is performing a real service for the Congress and the country by bringing this matter before the House for discussion and debate. I want to associate myself with his remarks and amendments.

Mr. FINDLEY. I thank the gentleman. Whether these lobbyists are effective in their influence peddling or not, they harm the public interest.

They deal in foreign policy, whether you like it or not. They have set up, in effect, their own state department. If they have influence and succeed in peddling it, they disturb and soil our governmental system, and compromise public officials, and weaken the moral foundation of our Nation.

If they have no influence they take their client's money without rendering expected service.

Either way, the United States is worse off.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. FINDLEY] has expired.

Mr. COOLEY. Mr. Chairman, I yield the gentleman 1 minute to ask this question: Did not the gentleman make the public statement that he had observed closely in the Committee on Agriculture and observed nothing inappropriate in the appearance of any witness before that committee?

Mr. FINDLEY. I will say to the gentleman that I charge no wrongdoing. I charge poor judgment and I include myself. I freely confess my sins of omission. I should have protested about this lobby long ago. I should have dug in 5 years ago when I first came on it.

Mr. COOLEY. Why did you make the statement that there was nothing inappropriate about it?

Mr. FINDLEY. I suggest that the reason for this amendment is not because of wrongdoing but because of the appearance. I think it is high time to sweep away this cloud of doubt and suspicion.

Mr. COOLEY. Has the gentleman read the bill before us?

Mr. FINDLEY. If I may respond to the gentleman, I have seen four different prints of this bill.

Mr. COOLEY. I am talking about the bill before us now. Does the gentleman know what is in it?

Mr. FINDLEY. Yes, I think I am reasonably well informed on the bill.

Mr. COOLEY. Is the gentleman informed about Panama? Did he say that if somebody seized the Panama Canal we could not do anything about the sugar quota, when it says on page 6 of the bill

that the President can discontinue the quota from any country if he finds that it would be contrary to the national interest of the United States?

Mr. FINDLEY. I am glad to have the information with respect to Panama, and if the Panamanians act up, I hope the authority will be used.

Mr. COOLEY. Mr. Chairman, I yield 10 minutes to the gentleman from Louisiana [Mr. WILLIS].

Mr. WILLIS. Mr. Chairman, although I do not pretend to be an expert, since I represent the sugar bowl of Louisiana, the greatest cane sugar producing district in the United States, I think I know enough about the sugar program to set the record straight on some of the things you have been hearing and reading about it lately.

Prior to 1934 we went through periods of booms and busts and rags to riches so far as sugar is concerned. Since 1934, the sugar program has beyond doubt been the most successful of all the farm programs. I want to tell you why.

Unlike wheat, cotton, corn, and other crops, sugar is not a surplus item in this country. We consume more sugar than we produce and we must import the difference from friendly countries.

Now prior to 1934, some people reasoned in this way. We live in a land of plenty, but because of soil and climatic conditions we do not produce all the sugar we need. Since we must obtain the difference mostly from people to the south of us, let us make them pay through the nose for the privilege of supplying our deficit requirements—let us impose a heavy or high tariff; and we did. But to every act there is a reaction and the people to the south of us took the position that world trade is a two-way street. They realized that we needed bananas, coffee, rubber, mahogany trees, and many other things besides sugar. And they found out that they could shop around for their imports. With respect to sugar they said, in effect, "You Yankees will be sorry. During periods of world tension we will make you pay through the nose"—and they did, from about 1913 on to a long time thereafter. During and after World War I, for example, housewives in the United States had to pay 25 cents per pound for sugar. The industrial users—the bottlers, the bakers, the cakemakers, and so forth—lived in fear that the value of the working stocks they had on hand would suddenly shrink. They were compelled to carry excessive stocks of sugar as a hedge against a sudden large price rise. All of this caused violent price fluctuations from time to time.

As a consequence, the cane farmers in Louisiana and Florida and all the beet farmers in the midwestern States had to take it on the chin. The refiners on the west coast and all those along the east coast from New Orleans to Atlanta to Boston were insecure and the workers were threatened with the loss of their jobs. In my own congressional district many raw sugarcane mills had to close down and their employees were thrown out of work.

Such were the conditions prior to 1934. Then a man by the name of Cordell Hull,

dedicated experts in the Department of Agriculture, unselfish members of the great Committee on Agriculture, joined by Members of Congress in their finest hour of bipartisanship, decided to do something about the situation. They realized that the people to the south of us were our neighbors and that the time had come to stop repressive measures between friendly neighbors. This was how the Sugar Act was born.

Why has the Sugar Act worked so well, as enacted in 1934, and why was it renewed every few years by both Democratic and Republican Congresses?

The program has worked and is working well precisely because it is a give-and-take program.

The import tax was reduced to $\frac{1}{2}$ cent per pound, and friendly countries to the south of us and elsewhere were given a fair share of our sugar deficit. But on their part all of these friendly countries have to live up to three principal conditions. They must pay the import tax of $\frac{1}{2}$ cent per pound. They must deliver their allotted shares on time and at all times at reasonable prices and irrespective of world tensions. Finally, they cannot ship refined or white sugar into this country; they can only ship raw or brown sugar.

The imported raw or brown sugar is refined in the American refineries I referred to. On their part, the refiners must pay a refiners' tax of $\frac{1}{2}$ cent per pound.

The combined 1 cent per pound collected from friendly foreign countries and the American refiners is used to support the price of cane and beet farmers, who could not otherwise compete with offshore suppliers. However, on their part, in order to qualify for payments under the program, producers must comply with production restrictions; they must pay fair wages to workers; they cannot employ child labor, and if they are processors they must pay fair prices for sugarcane and sugarbeets to the growers.

At this point I want to emphasize that the income to the Government from the combined 1 cent per pound has been very substantially in excess of the amount disbursed as payments to domestic growers. Despite confusing statements to the contrary, since 1937 the sugar program has turned over to the Treasury a net dividend of \$550 million. In other words, the sugar program is more than self-supporting.

In short, the Sugar Act has established three policies since 1934: first, to provide for U.S. consumers an ample supply of sugar at reasonable and stable prices; second, to maintain a strong domestic sugar industry without the use of a high protective tariff, and third, to promote world trade, thereby permitting friendly foreign countries to participate in supplying the U.S. sugar requirements.

The purposes of the sugar program have been admirably achieved.

A reasonable price for sugar has in fact been maintained. For example, in 1957 the U.S. retail price averaged 11 cents per pound. On January 1, 1965, the price was 11.64 cents, which means that in the past 8 years the average re-

tail price has increased only sixty-four hundredths of a cent. I do not know of any commodity whose price has remained so stable—do you?

A strong and growing domestic sugar industry without the consumer-penalizing device of a high protective tariff has been achieved. For example, when I first came to Congress in January 1949, the marketing allotment for Continental United States was 2,300,000 tons, raw value, while the marketing allotment next year will be 4,125,000 tons, raw value.

Under this bill the quotas of the domestic beet and sugar cane industry will be immediately increased. And under the act which we are now considering for extension, more than 40 percent of our total consumption of sugar will be produced by sugarcane and sugarbeet growers within the continental United States. The total domestic production, including Hawaii, Puerto Rico, and the Virgin Islands will fill 65 percent of our national sugar requirements.

The Sugar Act has certainly promoted our world trade and every State of the Union has been the beneficiary. For example, in exchange for the sugar we have imported the friendly foreign countries involved have been purchasing from us not only tractors, cane-cutters, and other sugar producing equipment, but huge quantities of farm produce such as rice, wheat, and cotton, and every conceivable type of foodstuff and manufactured goods, and we enjoy a very favorable balance of trade vis-a-vis such countries.

Furthermore, the friendly countries supplying our sugar deficit have lived up to their obligations under the Sugar Act. They have paid the modest import tax of $\frac{1}{2}$ cent per pound, and they have lived up to their promise to deliver their allotments, even in times of world tensions. Thus during World War II and during the Korean conflict, unlike the period during World War I when there was no Sugar Act, they supplied our requirements at reasonable prices.

Those are the reasons why the domestic cane sugar and beet sugar industries; the growers who produce the crops; the refineries who refine the raw sugar and their workers, and all segments of the industry, as well as the administration, support this bill. And those are the reasons why the Members of Congress, by an overwhelming bipartisan vote, have always renewed the Sugar Act and will do it again today.

Now, what is all this fuss about the so-called world price as compared with our domestic price? It results from almost total lack of understanding and a great deal of misinformation concerning the very meaning of world price or world market.

World consumption of sugar amounts to about 64 million tons. Three-fourths of it remains in the respective countries where the sugar is produced. Only about one-fourth, or 16 million tons, moves in world trade. Of this amount, however, almost 10 million tons have what is called preferential arrangements with countries where it is sold. Therefore, the world market or world price involves only

about 6 million tons. This is the distress sugar floating around without a home and, of course, the so-called world market price is usually below the domestic price in this or any European country. And then, too, it must be that some of the countries that sell sugar to us also sell some world market sugar so that they really get a blend price somewhere between our domestic price and the world market price for their total output.

But despite outlandish and irresponsible claims to the contrary, the domestic price paid by consumers in the United States is not by any stretch of the imagination excessive as compared with prices paid elsewhere. For example, on January 1, 1965, the retail price of a pound of sugar in the United States averaged 11.64 cents; in France, 12.6 cents; Italy, 16 cents; Japan, 14.2 cents; United Kingdom, 11.1 cents; West Germany, 14 cents; Sweden, 15 cents; Yugoslavia, 13.3 cents; and in Russia, 45 cents.

I think I have said enough to indicate that the Findley proposal to impose on friendly countries an import fee of 75 percent of the difference between the domestic price and the world market price would be a step backward. At present the fee would exceed the cost of production generally prevailing in those countries. This alone should be a sufficient reason to vote down the amendment. But, what is equally true is that the amendment, if adopted, could be a return to the days of booms and busts and rags to riches. I say this because we tried the global quota and import fee approach before. What was the result? Two or three years ago when these provisions were in effect the world market price jumped above the domestic price. The domestic price here went up to 14 cents per pound, while the price in Canada shot up to 18 cents per pound. Of course, no fee could be collected and the housewives and the consumers had to pay through the nose.

The other Findley proposal to cut out lobbyists appears to have merit on its face, but let us take a good look at it. It says that any friendly country who dares to employ an American citizen to represent it in Washington concerning sugar legislation shall not be permitted to buy 1 pound of sugar from us.

Any common criminal is entitled to representation. How can we deny that right to friendly countries supplying sugar to us? We, of course, cannot make a law to single out one group for punishment or for special or worse treatment, and no court would uphold the constitutionality of this amendment. Furthermore, does anyone really expect that any sovereign country would take this amendment lying down? Does anyone really believe that these countries would not retaliate against our representatives abroad? If he does, he is merely dreaming.

And if anyone should say that I approve of anything wrong, or improper, or evil, he is not only dreaming; he is also being very unkind and very unfair.

We already have a foreign agents registration law on the books. If it needs amendment, let us amend it; if loopholes need to be plugged, let us plug

them; if more teeth should be put in this law, let us put them. This would be the right way to do it; the Findley way is the wrong way.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. WILLIS. I yield to the gentleman from North Carolina.

Mr. COOLEY. Suppose we had no sugar program. What would be the situation in relation to the American housewife?

Mr. WILLIS. We have to make up our minds very clearly about this. Do we want to maintain or destroy the domestic industry? Do we want to maintain or destroy the beet producers in about 18 or 20 States in the Midwest? Do we want to protect or destroy the cane producers in Louisiana, Florida, Hawaii, the Virgin Islands, and Puerto Rico? What would happen? We could not compete. I frankly admit that. That is why we must have the device of that 1 cent a pound I referred to a moment ago. The price would rise sky high. That is what would happen. After a while they would have us by the throat. We would be out of business. They would be the only ones in business. Then they would command the price. I have been chairman of the Subcommittee on Antitrust, and I know something about what happens in that connection.

Mr. DAGUE. Mr. Chairman, I yield such time as he may require to the gentleman from Michigan [Mr. CEDERBERG].

(Mr. CEDERBERG asked and was given permission to revise and extend his remarks.)

Mr. CEDERBERG. Mr. Chairman, I should like to associate myself with those of my distinguished colleagues who are voting for this bill, H.R. 11135, because it contains long-overdue quota relief for American beet sugar producers. The quota increase for the domestic beet sugar industry in this bill is a necessity if the industry is to sell the extra sugar, produced at the request of the Government, that is now being carried in storage at tremendous cost to the industry.

When the Government, in 1963, urged sugarbeet farmers and beet sugar companies to produce more sugar for American consumers—and lifted acreage restrictions, and promised “unrestricted operations” for 2 more years—it was the obvious intent that the additional sugar was to be produced for selling to American consumers and not for putting into cold storage forever.

May I remind you, Mr. Chairman, that we waited all last year for a sugar bill, increasing the beet sugar quota, to come out of the Committee on Agriculture, but none was forthcoming. We also waited in vain for the administration to show the same zeal in asking for legislation that would authorize marketing the extra beet sugar production as the officials of the administration showed in asking our farmers and sugar companies to produce the extra sugar.

Well—that was last year.

This year is different. At long last we do have a sugar bill. And the bill contains authority for the beet sugar industry to market, over a period of years, the extra sugar that has accumulated in

the sugar bins and the warehouses as a result of the industry's great response to the Government's emergency plea for more domestic sugar production.

Mr. Chairman, it is my understanding that the domestic quota provisions of this bill have the support of the domestic beet sugar producers, the domestic cane sugar producers, the cane sugar refiners, and the administration. It is my understanding that the domestic quota provisions represent a compromise worked out at the request of the leadership of the House Agriculture Committee and at the request of responsible officials in the executive branch of the Government. Personally, I would like to see a larger increase in the beet sugar quota, because I firmly believe it is in the national interest for us to obtain more of our sugar from domestic sources. But I recognize that by the very nature of a compromise, no one gets out of it all that he desires. It appears that under the circumstances, and in view of the realities of the political situation today, the domestic quota provisions of this bill are the best that could muster the widespread support which is necessary for passage in this era of the consensus.

The great sugarbeet industry of Michigan has a definite stake in this bill. Our producers increased their production by some 45 million pounds in 1963, when the needs of our consumers were greatest, and under the impetus of Government urging, they increased production last year by almost 12 million pounds. Although like the rest of the industry, Michigan producers expect to take some acreage cuts under this bill; the cuts will not be so severe as the drastic reductions they would have to take if there were no bill.

The sugarbeet industry is tremendously important to Michigan, and in the areas where the beet is grown it is not only an essential cash crop, but it is a key to crop rotation and to sound farming operations. Michigan, Mr. Chairman, was a pioneer in beet sugar production in the United States—sharing honors with Massachusetts as the site of the first beet sugar factory in this country, more than 125 years ago.

It is vital to the sugarbeet growers and processors that this legislation be adopted.

Mr. COOLEY. Mr. Chairman, I yield myself 1 minute just to make one observation.

When Mr. FINDLEY was talking he quoted from some press release that I issued yesterday to the effect that I was attempting to protect the integrity of the Congress. I just want to call attention to the fact that I said Congress, and not Congressmen. I do not think any Member of this House needs anybody to protect or defend his integrity. I only meant we did not want to sit idly by and see Congress bypassed and let bureaucrats take over the functions that the law provides we should discharge. When you talk about lobbyists I would like you to look at this: Here is a list of 28 pages of lobbyists. There are too many for me even to mention. If you want to look at them all, that suits me. I second Mr. WILLIS' comments.

Mr. DAGUE. Mr. Chairman, I yield 5 minutes to the gentleman from Utah [Mr. BURTON].

(Mr. BURTON of Utah asked and was given permission to revise and extend his remarks.)

Mr. BURTON of Utah. Mr. Chairman, the great State of Utah, in its long and colorful history, has made major contributions to the beet sugar industry of the United States—and, in turn, the beet sugar industry has made and is today making many contributions to the welfare of the people of Utah. And since the beet sugar quota provisions of this bill are so vital to the continued progress of this industry in Utah, and elsewhere in the United States, I support the bill and I urge my distinguished colleagues to vote for it.

The temporarily increased beet sugar marketing quota contained in this bill will help to alleviate a serious inventory problem with which the Nation's beet sugar industry now is burdened because it responded to the Government's pleas for greater production, for the sake of American consumers, during the sugar crisis 2 years ago.

What happened is that the sugarbeet growers and the beet sugar companies greatly increased their production, in response to the Government's urging, far in excess of the beet sugar marketing quota in the present law. Congress last year was not given the opportunity to increase the statutory beet sugar quota, and consequently vast quantities of sugar have accumulated that cannot be marketed—but must be carried in storage at enormous expense—unless we enact the beet sugar quota provisions of this bill, H.R. 11135.

In Utah and more than a score of other States—from the shores of the Great Lakes to the shores of the Pacific Ocean—the growing of sugarbeets and the processing of beet sugar provide the economic foundation for hundreds of our farming communities. In many of the areas where sugarbeets are grown they are the only true satisfactory cash crop not now in surplus, that can be grown. Anything that is of benefit to the producers of sugarbeets, therefore, has wide and beneficial ramifications throughout large regions of our great country.

Our sugarbeet producers rose to the challenge presented when the Nation was in dire need of additional sugar a short while ago. The temporary increase in marketing rights which this bill provides will help to soften the blow as our sugarbeet producers gradually attune their production to the levels provided for in the present law—after having so greatly increased production to meet a national emergency.

Mr. Chairman, for the sake of the American sugar producer, I intend to vote for H.R. 11135.

Mr. ANDREWS of North Dakota. Mr. Chairman, will the gentleman yield?

Mr. BURTON of Utah. I yield to the gentleman.

Mr. ANDREWS of North Dakota. Mr. Chairman, I want to associate myself with the remarks of my friend and colleague, the gentleman from Utah [Mr. BURTON]. Domestic beet growers have

made a very significant contribution to the welfare of our country; not only to their individual States such as Utah and North Dakota, but also to the entire Nation. Two-cent sugar, which was brought out in the debate earlier, is not a true world price, Mr. Chairman and does not represent an accurate presentation of the facts. Most sugar in this world moves under agreements, and very little sells at this 2-cent distressed price. It is important to our Nation that our supply of sugar be dependable. We can find no more dependable supply than to have American farmers producing it in America. They have supplied sugar in adequate quantities and at a fair price—the normal growth of this domestic industry should be allowed to continue in fairness to farmers and farm areas.

We have been told it is important to give increased quotas to foreign countries because foreign countries are good customers of American industry. But, Mr. Chairman, there is no better customer of American industry than the American farmer. So in the interest of both the American farmer and the American consumer I urge the support of this bill. While it is not all that we in beet raising areas had hoped for, it is far better than the disaster which would befall us if we had no Sugar Act at all.

Mr. BURTON of Utah. Mr. Chairman, I thank the gentleman from North Dakota for his contribution.

Mr. Chairman, I would like to add one legislative footnote to this debate. This is, that the day the department bill came up to the full committee, I was there. Someone asked the question, Why do we have to have the department downtown determining these quotas?

Is not this a legislative function? Some of us feel strongly that the Congress in many instances has abdicated some of its constitutional responsibility in this regard. We raised this question. I see the chairman of the full committee is on the floor and he can correct me if I am wrong, but I think perhaps the chairman has been given too much credit for trying to have the Agriculture Committee take over the writing of these quotas because it was some of the young Turks in the committee that morning that wanted it done then and a decision made then and there and I think it would be fair to say that it was the chairman who prevented the vote, so he could check with the Department downtown and determine the criteria that they use to establish these quotas for foreign countries.

Later on the committee in its wisdom did take it over and wrote the quotas as they are now.

I would like to say, too, that I have been a member of the Committee on Agriculture for only 9 months. But at no time during that brief period have I ever been contacted by any lobbyist for a foreign sugar producer or foreign government. That is not to say that I pack too much water on that committee; I do not. Maybe that is why they did not come to see me.

I want to say to my friend from Illinois that I appreciate the service he has

done in calling some of these problems to the attention of the Members. I am inclined to support his amendment because I can see that there might be questions raised when American law firms and lawyers are hired at \$40,000 and \$50,000 a year to represent foreign governments before Members of Congress.

These foreign governments could very appropriately ask, "What services are you performing?" I hesitate and I hate to think what the answer might be.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. BURTON of Utah. I yield to the gentleman.

Mr. FINDLEY. I thank the gentleman for his comments. He has touched upon the central question. I think it logically can be granted that these foreign sugar lobbyists perform no legitimate service to the Congress. Why should we put up with this cloud of doubt and suspicion which these highly paid people cast over the Congress? To me it makes sense for us to put them out of business. We would be no worse off for it and as long as they are in business they do create this doubt and suspicion.

There is no public interest to be served by keeping them on the job here.

Mr. BURTON of Utah. I think the gentleman is right.

Mr. DAGUE. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. DOLE].

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. DOLE. Mr. Chairman, I take this time to discuss one or two points in the bill and also to ask a question or two of the chairman of the committee [Mr. COOLEY] or the vice chairman [Mr. POAGE]. We have been concerned, on both sides of the aisle, with the possibility of aiding any country which might either ship to or trade with our enemy in North Vietnam, or Cuba, Red China, or North Korea. I have reviewed the committee report and also the confidential files with reference to those countries which may or may not be shipping to or trading with North Vietnam or the other countries referred to. Under this bill there is a grave possibility some countries now actively engaged in either shipping to or trading with our enemy could possibly receive sugar quotas. We will all agree, whether or not we agree on the import fee or any other phase of the bill, that U.S. sugar quotas are very valuable.

I offered an amendment in the committee, and at that time the chairman suggested there was language in the bill, which appears on page 6, subparagraph (B), which could be interpreted to provide that any country which received a quota and was thereafter actively engaged in either trading with our enemy or shipping to the enemy, could have its quota suspended. I would ask the Chairman [Mr. COOLEY], if I have interpreted the language on page 6 correctly.

Mr. COOLEY. The gentleman has page 6 before him, I assume?

Mr. DOLE. Yes.

Mr. COOLEY. It says:

Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted.

Mr. DOLE. Right. My question is, in view of the language just read by the chairman of the Committee on Agriculture, is it his opinion the language would cover this point and would require suspension of a quota to any country which either ships goods to or trades with North Vietnam, or the other countries referred to?

Mr. COOLEY. Well, I suppose the gentleman has reference to what is known as the Battle Act. If the President found that it was in the national interest to discontinue the quota, he has the authority to discontinue it.

Mr. DOLE. I believe the gentleman from North Carolina, the chairman of the Committee on Agriculture, will agree that it certainly was not the intent of the committee or anyone on the committee to give any country any quota under this act which might be conducting business with North Vietnam or any other Communist country.

Mr. COOLEY. I will say "conducting business in violation of the Battle Act," which is the "trading with the enemy" act. We do not know of any country listed here that is now trading with the enemy.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman from North Carolina knows that the Battle Act—and I am sure the gentleman from North Carolina was here when the Battle Act was enacted and I am sure he knows that the same discretionary power is lodged in the Battle Act—that the Battle Act is today and has been almost since its enactment a dead letter in the law. It has not been enforced by any President who has been President since the Battle Act was enacted. Let us not go back to the Battle Act, because it is meaningless and the gentleman knows it.

Mr. COOLEY. If the gentleman from Kansas will yield further, no President has advocated its repeal because it is still on the books.

Mr. GROSS. That is right. That is why I said it was a dead letter.

Mr. DOLE. I would point out to the gentleman from Iowa and to the gentleman from North Carolina [Mr. COOLEY] that this matter was first called to the attention of the Members of the House by the gentleman from Michigan [Mr. CHAMBERLAIN] on July 22, 1965. On that date Mr. CHAMBERLAIN provided for the RECORD certain unclassified figures obtained from the Department of Defense, showing that 401 ships flying the flags of friendly world nations called at North Vietnam ports during 1964, and that another 74 had visited the ports of North Vietnam from January through June 1965.

I would also like to point out to those members of the committee who may be interested that there are even more recent figures which will include—if you wish to check the classified information—along with the countries listed in the report which will be receiving sugar quotas, there are countries which are now or have in past months been either shipping to or trading with the enemy which may receive sugar quotas under this act.

Certainly, Mr. Chairman, this is basically wrong and I trust the language referred to on page 6 of the bill will cover that situation.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. DAGUE. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. SPRINGER. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield to the gentleman from Illinois.

Mr. SPRINGER. I have listened to what the gentleman has said with a great deal of interest.

Would the gentleman care to name in the RECORD the countries which have been trading with North Vietnam and who under this bill, if enacted, would receive a sugar quota? Can the gentleman name them?

Mr. DOLE. I cannot name them but I have looked at the classified information. It is still classified hence I would not be at liberty to name them. I would state to the gentleman that our colleague, the gentleman from Michigan [Mr. CHAMBERLAIN], has the list and would be happy to have anyone inspect it who desires to do so.

This is a serious matter and for that reason I have called to the attention of the Members of the House in hopes some useful legislative history on this point will be made.

Mr. SPRINGER. Mr. Chairman, if the gentleman will yield further, may I ask the gentleman if he can tell us how many countries are involved—I realize this is still classified information which he is not allowed to reveal; he may see it but not reveal—can he tell us how many countries there are, whether it is one, two, three, or four?

Mr. DOLE. In checking the classified information and then the report before us I found a total of four.

Mr. SPRINGER. That are now trading with North Vietnam and who under this bill will receive a sugar quota?

Mr. DOLE. Yes; they are either now trading, or shipping, or have in the recent past been trading with or shipping to North Vietnam. There is nothing to indicate they might not trade with them again. My only point is that this record should be perfectly clear that this should not be permitted. We all agree that the U.S. sugar quotas are very valuable and there is no reason for giving any bonus to any country that might be making it more difficult for us, whatever country it may be. This Congress should not be giving any bonus to any country making it more difficult for us in Vietnam.

Mr. SPRINGER. My last point is this. Does the gentleman intend to introduce

an amendment to prevent a sugar quota from being granted to any country that in recent months or that might in the future be trading with North Vietnam?

Mr. DOLE. There is a possibility that this might be included in the motion to recommit. I will point out, of course, under the rule the amendment cannot be offered. I presented this material to the Committee on Rules in hopes such an amendment might be made in order. It has been offered in the committee so this is not anything new that I attempt to do.

I was assured by the chairman in the committee that the language on page 6 does cover this situation. All I seek to do now is to make some clear legislative history that this is the intent of the House—that we will not knowingly give any quota to any country which might be now or hereafter trading with or shipping to North Vietnam, Cuba, Red China, or North Korea. My amendment is set forth in full on page 49 of the report. It specifically mentions Cuba, North Vietnam, or any other nation with which the United States does not have diplomatic relations.

Mr. STRATTON. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield to the gentleman.

Mr. STRATTON. I am sure the gentleman from Kansas would not want to leave any misapprehension of misunderstanding with the Members of the House. Is it not true that these foreign-flag ships that he refers to that have been trading with North Vietnam, and the gentleman from Michigan [Mr. CHAMBERLAIN] of course referred to them frequently, are actually under charter to the Communist bloc. Therefore, the countries involved are not trading with North Vietnam—the ships are chartered to the Communist bloc and the trade is being conducted I think in almost every case by the Communist countries.

Mr. DOLE. That is right. In fact, provision is made for that in my amendment by saying, "that are either selling, furnishing or shipping." I attempted to cover every contingency. If the gentleman has another one, it should be included.

Mr. STRATTON. Of course, the gentleman realizes if the ships of these countries were barred from North Vietnam, the Communist bloc itself would simply rearrange its own shipping and continue to conduct its own trade with North Vietnam and use these foreign chartered ships and other ships so that we would not really cut down the Communist supplies that are now being supplied to North Vietnam. I think the point the gentleman makes is a good one but its effect on the fighting in North Vietnam would really be trivial in my judgment.

Mr. DOLE. The gentleman understands what I intended to do and I am hopeful the amendment offered, which cannot be offered on the floor, of course, would accomplish this. I do appreciate your contribution and trust that we can make some history, that we intend this will not happen if this bill is enacted.

I have listened with great interest to the amendments discussed by my col-

league, the gentleman from Illinois [Mr. FINDLEY]. The key to the lobbyist amendment is the fact there is such a big slush fund because no import fee is imposed. If an import fee were imposed there would be no need to worry about lobbyists in my opinion. The key amendment the gentleman from Illinois [Mr. FINDLEY] will offer is the one relating to the import fee. This amendment should be supported and adopted.

I strongly feel quotas should be given to those countries which buy our surplus commodities. On pages 47 and 48 of the committee report, I have pointed out with the assistance of a Library of Congress analyst, that certain countries receive large quotas notwithstanding our unfavorable balance of trade with them. There was discussion earlier about Venezuela; however, the list also includes the Philippines, Brazil, the Dominican Republic, British Honduras, Colombia, Ecuador, Haiti, and Malagasy Republic. The complete list and the amounts are found on pages 47 and 48 of the report. It seems we should assist those countries who spend dollars in this country, particularly those buying our surplus commodities.

I would call the attention of the Committee to a press release issued today by the Department of Agriculture in which they announced sugar deficits of some 135,000 short tons raw value. The release states:

In allocating deficits to countries of the Western Hemisphere, special consideration will be given those offering to purchase and import U.S. agricultural commodities prior to July 1, 1966, on the same basis as in initial 1965 deficit allocation announced August 13.

The point is that under existing law special consideration is given, in allocating deficits, to those countries who have purchased our agricultural commodities.

This is not required in the pending legislation, and it seems a serious mistake that this Congress does not direct the U.S. Department of Agriculture to give special consideration, in the allocation of deficits, to those countries who purchase our surplus commodities with dollars.

During the committee's consideration of this bill, we attempted to put effective language into the provision of the bill dealing with both the little global quota and the allocation of deficits. This attempt failed by a vote of 16 to 14.

The language of my amendment, which would have amended the bill in regard to both the little global quota and the allocation of deficits is as follows:

In making allocations to foreign countries under the provisions of this paragraph preference shall be given to those friendly countries agreeing to purchase for dollars additional United States agricultural commodities.

At another place in the bill, I would have added:

In making allocations to foreign countries under the provisions of this section (except as to deficits allocated among countries of the Central American Common Market) preference shall be given to those friendly

countries agreeing to purchase for dollars additional United States agricultural commodities.

This amendment would have clearly established a preference, in the distribution of foreign and domestic deficits, for those friendly countries agreeing to purchase for dollars additional U.S. agricultural commodities. While the exact benefit is somewhat speculative—depending upon the deficits—a conservative estimate could mean disposal of around \$40 million worth of U.S. surplus farm commodities per year.

The CHAIRMAN. The time of the gentleman has expired.

Mr. TEAGUE of California. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota [Mr. QUIE].

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, in the controversy on this legislation, my strongest reason for supporting the legislation is the fact that it gives the protection needed for the beet growers in my area. My feelings on the foreign sugar quotas are pretty well developed in a little brochure that was put out by the committee. I believe that we have better reasons for dividing the quota among the foreign countries than the administration was able to give for theirs.

With regard to the amendments that the gentleman from Illinois [Mr. FINDLEY] will offer, I shall support both of them. I can see no reason for the work of the foreign lobbyists on this legislation. As we worked on the needs of the various countries and the allocation of quotas to them, I never saw the necessity of any of them being around, and what was done, was done through the knowledge of the members of the committee in regard to the various countries.

I feel that we would have made exactly the same decisions if the amendment of the gentleman from Illinois with regard to sugar lobbyists was in effect at the present time. I believe that we need lobbyists in the domestic interests, but I see no need for the foreign lobbyists here at all. We have some earthy comparisons in agriculture language that I could state but which I will not state right now. I think they are absolutely unnecessary.

I think we should be imposing import fees. There is a great gap between our high domestic price and the low world price. The import fee helps impede this unjustified outflow of dollars. I am pleased that the gentleman from Illinois has brought this up and will give us an opportunity to vote on the question in the House.

Mr. DAGUE. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, one of the many distinctions of the district which I have the honor to represent is that it is the site of the world's largest sugar refinery.

At Crockett, Calif., on the Carquinez Straits, an upper arm of San Francisco Bay, is located the refinery of the California and Hawaiian Sugar Refining

Corp. For almost 60 years this refinery has been one of the major employers of the San Francisco Bay Area.

The C. & H. Refinery, which refines practically all the raw sugar produced in the State of Hawaii, is the key link in the sugar partnership of California and Hawaii. Sugar is the most important commodity in the vigorous and growing trade between our two States, and contributes an essential part of the income of both areas which makes that trade possible.

As a member of the California delegation, I also take pride in the fact that California is our country's most important producer of beet sugar. Some of these sugarbeets are produced in my congressional district.

California produces almost 18 percent of the refined sugar which is consumed in the continental United States, and my district contributes about half of that total. Therefore, many of my constituents whose livelihood depends upon the sugar industry are interested in the passage of a fair and equitable sugar bill. I believe that H.R. 11135 is such a measure, and I therefore support it.

The different groups within the domestic sugar industry compete vigorously with one another in the distribution and sale of their products. This is nowhere more true than in California, where substantially more sugar is produced than consumed. These competitors have shown a cooperative spirit in participating in the decisions and realistic compromises which are incorporated in the present bill. H.R. 11135 is supported by the entire domestic sugar industry—the mainland sugarcane growers, the beet growers and processors, the Hawaiian sugar producers, the Puerto Rican producers, and the cane sugar refiners.

But this is not merely a sugar industry proposal. The essential provisions of the bill are supported by the Departments of State and Agriculture. Further, at a time when about 65 percent of all sugar is sold to food manufacturers, the bill is also supported by the organized industrial users of sugar. Therefore, H.R. 11135 represents a real and national consensus as to a fair and equitable sugar bill.

H.R. 11135 takes account of the lessons on sugar taught by the past 3 years. It rejects the novel and disastrous global quota concept introduced by the 1962 Sugar Act amendments. It assigns foreign quotas on a country-by-country basis, and in doing so tells our suppliers what we expect from each of them. It includes rewards and penalties to assure that these expectations will not be disappointed. It makes realistic and reasonable provision for the domestic sugar producers. Beet and mainland cane marketings are increased, but provisions to maintain a proper relationship between production and marketings are also included. Perhaps of most importance, the bill lays down the rules under which our domestic sugar industry and our foreign suppliers are to function through 1971. Any business, and most especially sugar, can plan and grow to best advantage in an atmosphere of

reasonable stability. H.R. 11135 would contribute the stability needed for the orderly conduct of the sugar industry.

For purposes of emphasis, I have left for last the contribution which the Sugar Act, as amended and extended by H.R. 11135, has made and will continue to make to consumers. It provides the machinery to assure, as nearly as anything can be assured, that this country will always have an ample supply of sugar at fair and reasonable prices. It largely insulates the United States from the volatility of the so-called world sugar market, a market which is dangerously subject to manipulation by the Communist bloc. It will be a major force in keeping sugar one of the most reasonably priced commodities available to the American homemaker.

For all of these reasons, I support adoption of H.R. 11135 as reported by the Committee on Agriculture.

Under the rule governing consideration of this bill, there will be offered an amendment to reestablish an import fee on sugar brought to the United States from all foreign countries except the Philippines. The adoption of such a fee was one of the innovations and one of the mistakes of the Sugar Act Amendments of 1962. In 1962 proponents of an import fee predicted that this fee would develop income for the U.S. Treasury at a rate of \$180 million per year. During the entire 2½ years the fees were in effect, collections come to less than \$38 million. The higher prices resulting from the global quotas and import fees prescribed by the 1962 act cost consumers many times the amount paid to the Treasury. The present predictions of income from an import fee may very likely prove to be no more reliable.

An import fee would introduce into the Sugar Act the serious weakness of a direct tie between the U.S. sugar supply and the erratic and dangerously thin world market. It would make the false promise of a bargain purchase of cheap sugar, but it would also put this country in the precarious position of the chronic bargain hunter when faced with a tight supply. There are no suppliers who care about his business or feel any loyalty or long-term interest in his account. This is truly a penny-wise and pound-foolish amendment, and I urge its defeat.

Our sugar dealings with foreign countries, mostly in Latin America, will be most healthy and satisfactory if we pay a fair price, avoid short term and oppressive bargains, and rely on stable and enduring trade relationships to assure our needed supplies.

The committee bill takes this approach. The import fee amendment does not.

Therefore, I urge enactment of H.R. 11135 as approved by the House Committee on Agriculture and rejection of the proposed import fee amendment.

(Mr. BALDWIN asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, I yield such time as he may consume to the distinguished member of the Committee on Agriculture, the gentleman from Georgia [Mr. O'NEAL].

Mr. O'NEAL of Georgia. Mr. Chairman, I am prepared to speak at quite some length in support of H.R. 11135, but the hour is getting late and we have had some very fine contributions from other Members of the House, especially the gentleman from Louisiana [Mr. WILLIS].

Mr. Chairman, despite all the "flack" we have gotten in recent weeks about the Sugar Act of 1965, the bill is simply designed to look out for the American housewife as the Congress has been doing for the past 31 years since 1934.

It attempts to assure for her a steady and uninterrupted flow of sugar at a stable price that she can depend on. It tries to protect her from the uncertainties of what would be a wildly fluctuating market.

The only time in the past 31 years this has not been accomplished was during the 2½ years that Congress reluctantly agreed to let the administration experiment with certain innovations that proved to be failures—one of them the import fee.

The program has worked exceedingly well in achieving its three basic purposes which are: First, to assure consumers a supply at fair and reasonable prices; second, to maintain and protect the domestic industry; and third, to promote the Nation's foreign trade. One of these experimental failures, the so-called import fee, was abandoned by both the administration in its recommendations to the Congress and by the Committee on Agriculture in its recommendations to the House. Yet, it is this very failure which the distinguished gentleman from Illinois might have us repeat.

In both peace and war the Sugar Act has worked exceedingly well in insuring consumers adequate supplies at reasonable prices. Even during the dark days of World War II, when rationing was required, the United States—despite the shipping shortage—continued to enjoy a relatively satisfactory level of sugar consumption. And certainly in times of peace, the act has continued to achieve its basic objectives, except for the brief period during which the mechanism was tampered with by the institution of so-called global quotas and the import fee.

The domestic provisions of the bill as reported by the committee represent a series of compromises among various competing segments of the domestic sugar industry which meet with the approval of the administration. The bill permits domestic beet and cane producers to work off certain surpluses over the term of the act without impairing the long-term relative position of other segments, notably the domestic refiners and our friendly foreign producers. It continues to assure that the domestic industry will be maintained and protected at reasonable levels and that the consumer will have supplies always available at fair prices. On the question of price, it is most interesting to note that sugar alone among all of the basic foods has increased least in cost since World War II. When sugar was decontrolled or unrationed in 1947, the price of raw sugar in New York was 6.32 cents per pound.

Today the price of raw sugar in New York is 6.85 cents per pound. This is indeed a remarkable record. In fact, throughout the period since World War II, the only time sugar prices in the United States reached substantially higher levels was during the ill-fated experiments with so-called global quotas and import fees of 1962, 1963, and part of 1964.

The amendment proposed by the gentleman from Illinois should be defeated for many reasons. To begin with it is contrary to the foreign policy of the United States as declared by the President as recently as August 17, 1965, in speaking to the ambassadors from Latin America.

But equally important with our foreign policy is the effect of this amendment on our own consumers, the American housewife and the industrial users of sugar whose supplies would be impaired and who would inevitably suffer from unstable and higher sugar prices. It is said by the gentleman from Illinois that he would simply be taxing away the "gravity" by levying an import equivalent to 75 percent of the difference between so-called world sugar prices and the U.S. market price. The term "world sugar market" is a complete misnomer. Nearly 90 percent of all of the sugar produced in the world is either consumed in the areas in which produced, or sold in protected preferential market systems such as ours, the British, the Germans, and the French. The world market is really just a dumping market in which only a small fraction of the world's supplies, which are not required within the areas of production or not required within protected systems are traded. As a consequence this market is an extremely volatile and unreliable one.

In 1962, Congress was so uncertain about the desirability of an import fee that it granted permission for its trial for only a period of 2 years. Within 6 months after passage of the 1962 amendments, world sugar prices doubled from a bit over 2 cents to 4.75 cents and by May 1963, the so-called world price had reached 12.6 cents per pound. By depriving our friendly foreign suppliers of price incentives during times of abundant supply, they naturally no longer felt the obligation to hold supplies for this market at the price level provided for in the Sugar Act. While supplies were made available, they were provided at or close to world prices, and therefore, U.S. prices rose sharply to the highest levels since the passage of the first Sugar Act in 1934. To reinstitute an import fee in the face of this experience is to do the American housewife, the bottler, the baker, and the candymaker along with their millions of customers a marked disservice.

The gentleman from Illinois tells us that if his import fee is reinstituted, the Treasury will enjoy a bounty of approximately \$280 million annually or a total of \$1,400 million during the life of the act. He does this by assuming that present depressed prices in the so-called world sugar market will continue throughout the term of the statute. This argument is unsupportable. Recent prices in the world market are at their lowest

level in over 25 years, and inasmuch as such prices are far below the cost of production in the major export areas, it is obvious that they cannot remain at such levels for very long. The facts are that in the 2½ years during which we experimented with the import fee following the 1962 amendments, this levy yielded only \$38 million whereas the proponents of this measure, I am told, had boldly claimed an annual yield of \$180 million. The doubling of prices to consumers, the uncertainties of supply and the general instability in the market proved costly to consumers. Estimates are that our consumers paid an extra \$300 million during the disastrous import fee experiment.

It is claimed that the domestic industry has, in the past, supported an import fee. The facts are that, when the domestic industry met earlier this year at the suggestion of both the administration and the Committee on Agriculture, the industry was informed by responsible officials of the Departments of State and Agriculture that the Administration would urge legislation containing an import fee. As a consequence, the industry, most of it reluctantly, agreed to the imposition of an import fee if in the judgment of the administration this were desirable. This reluctant agreement was given, despite our recent experience to the contrary, provided the level of such an import fee were not confiscatory, meaning by that not more than 50 percent of the difference and with a ceiling of 1 cent per pound. Quite clearly, the decision on the import fee, when finally determined by the President, was that such a levy was undesirable, and he so announced this position to the Ambassadors from Latin America. I am told that the domestic sugar industry unanimously supports the position of the President and the administration that the reimposition of an import fee ought not be legislated and that we ought not repeat our recent failures to provide sugar at fair and reasonable prices.

Mr. Chairman, I urge the House to pass the bill as reported by the Committee on Agriculture with the amendments recommended by the Committee and to defeat the amendment which would have us ignore our foreign policy commitments, jeopardize our supplies of sugar, and inevitably raise prices to consumers. This is a complex piece of legislation and the domestic provisions represent the consensus which all of us seek whenever greatly divergent interests are involved. The domestic provisions represent inevitable compromises between competing segments of our domestic industry and meet with the approval of the President and the executive agencies concerned with sugar matters.

Thank you, Mr. Chairman.

(Mr. O'NEAL of Georgia asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, I yield such time as she may consume to the lovely lady who comes from Hawaii [Mrs. MINK].

Mrs. MINK. Mr. Chairman, I rise in strong support of H.R. 11135 and urge my

colleagues to support this measure. This bill is of vital interest to our State and is essential for the economy of the people of my State. I urge all Members to support it.

Hawaii's sugar industry has been one of the great success stories of our Nation, to the point where not only is sugar the largest industry of our islands, but Hawaii is the major sugar producing State of the Nation.

Hawaii's eight principal islands comprise 6,423 square miles, slightly larger than Connecticut and Rhode Island combined. Only about one-twelfth of this area is suitable for agriculture, and only four of the islands produce sugarcane.

Even now, some 231,000 acres comprise the total cane land area. Yet that area is so productive, and the application of scientific agriculture is so intense, that slightly more than 100,000 acres of cane harvested each year now provide more than 10 million tons of cane and more than 1,100,000 tons of sugar. These are record high yields for the sugar growing areas of the world.

Hawaiian production represents roughly 2 percent of world production and more than one-tenth of U.S. consumption. About \$200 million of capital has been invested in this major industry of the islands since World War II, and returns to the economy in 1963 were about \$188 million. The annual payroll, going to about 13,000 year-round employees, is in excess of \$60 million. Applied scientific technology, mechanization, high yields per acre, and exceptional pay per hour for labor are characteristics which make the Hawaiian sugar industry outstanding in comparison with mainland production or with that of other countries in the world.

Sugarcane is an old, old story in Hawaii. Apparently it was brought to these islands either at the time of original settlement, perhaps as early as 500 A.D., or during the period down to about 1300 A.D., when voyages to and from Tahiti were thought to have continued. Botanists hold that it was one of 25 plants introduced in ancient times.

When Captain Cook discovered the islands in 1778 he noted "several plantations of sugarcane" growing on high ground. However, no sugar was made from the cane. It apparently was used as a kind of hedge around garden patches, and pieces were broken off and chewed for their sweet sap.

It has been said that all beginnings are difficult. This certainly was true for sugar production in Hawaii. During the first quarter of the 19th century, references to sugar production in the islands were fleeting. There was some experimentation in 1802 by Chinese, who tried to produce sugar on the island of Lanai with a crude granite roller and a few boiling pans. Lanai even today is not productive of sugar.

A few individual attempts to manufacture sugar were noted including that of an Italian resident, who in 1823, made sugar by pounding cane with stone beaters on the boards used by Hawaiians for making poi and then boiling the juice down to crystals.

It took severe tests and several failures before sugar was firmly established in the second quarter of the century, and great labor and infinite ingenuity to establish and extend the first cane plantations.

In 1825, John Wilkinson, an Englishman, set out a small cane plantation. Although he was dead by 1827, the juice of his first cane crop was converted to rum—at which the royal government ordered that the plantation's still be broken, its cane plowed under, and the land planted to sweet potatoes.

Three young New Englanders incorporated themselves as Ladd & Co. in 1835 and set out to produce sugar on 980 acres of land they leased from the Hawaiian king for 50 years at \$300 a year. They went bankrupt, although about a third of their tract has since proved to be good cane land. Their plantation, Koloa on the island of Kauai, proved to be Hawaii's first permanent plantation. It exported 4,286 pounds of sugar and 2,700 gallons of molasses in 1837 and was finally merged with another plantation. Truly, the adventure of producing sugar in Hawaii in those days was not for the fainthearted.

There was perseverance, however. By 1838, there were 20 small sugar mills in operation in the islands, of which 18 were animal powered and two were water-powered. During the California gold rush, sugar prices rose to as much as 20 cents a pound, and Hawaii, in 1851, exported 162 tons of sugar.

From this small beginning, the development of Hawaii's sugar industry was rapid during the third quarter of the 19th century. Even then, mechanical improvements through the use of modern technology were a major factor.

The first sugar centrifugal, perhaps the most significant invention in the history of the sugar industry was introduced; it separated sugar crystals from molasses by its whirling action. The first steam engine was installed in 1853 and the first steam mill in 1857. Exports climbed to 913 tons in 1859, then declined to 722 tons in the next year.

But the introduction of the vacuum pan in 1863, together with the stimulus provided by the vast Civil War market in the United States, resulted in exports of 8,869 tons in 1866. Thereafter, production trended sharply upward, except for a few drought years.

The fascination of the establishment of this new enterprise attracted a wide diversity of pioneers. Among them were young New Englanders, the sons of early missionaries to Hawaii, American sea captains, the son of a president of Norway, Irishmen, Englishmen and Germans. They included bookkeepers and bankers as well as others with agricultural backgrounds.

As the need for labor grew in the burgeoning industry, 300 Chinese arrived from Hong Kong in 1852, to be followed by 500 more in 1865. This was the start of a long line of immigrants to the islands, called to work in the sugar fields and mills.

It is estimated that 46,000 Chinese migrated to Hawaii between 1864 and 1900, of whom 8,000 came from the mainland United States rather than directly from

China. More than half came unassisted, and slightly more than half of them returned home after fulfilling their contracts. The others tended to congregate in Hawaii's urban areas, and it was estimated that 14,000 of the 20,000 Chinese in Hawaii in 1886 were in Honolulu, either in trade or raising truck vegetables in small farms just outside the city proper.

Japanese migration began in 1868, when the Hawaiian consul in Japan arranged for 148 laborers to come to Hawaii. It was 20 years before others followed them, however.

Rapid expansion of Hawaiian sugar production continued through the final quarter of the 19th century. After unsuccessful attempts in 1848 and 1852, the Hawaiian Government succeeded in negotiating a reciprocity treaty with the United States in 1876. That trade agreement admitted sugar duty free to the American consumer market.

Subsequently, land for sugar cane was substantially increased by the use of irrigation on four of the islands; and the irrigation also increased the reliable productivity of the land on which it was used.

The first and most famous irrigation project in Hawaii was the Hamakua Ditch, which was 17 miles long and capable of moving 40 million gallons of water a day. It was built by Alexander and Baldwin, sons of early American missionaries, at a cost of \$80,000, to tap the rainfall of nearby mountains to water their then barren plantation in the hot but dry lowland plain of central Maui.

This success prompted the California capitalist Spreckels to build another ditch on Maui, this one 30 miles long and capable of delivering 50 million gallons of water daily.

Subsequent irrigation projects involved great tunnels through mountains, miles and miles of pipes, inverted siphons, large reservoirs, and even portable ditches. Water from wells for irrigation started in 1879, when the first artesian well was put down. Eventually, hundreds of pump and well combinations dotted the drier cane areas of the islands, providing hundreds of millions of gallons of water daily.

The efforts to irrigate also spotlight the growing importance of the use of science to increase productivity. The

irrigated lands were assured of reliable growth conditions for a large segment of the acreage growing cane. Breeding work resulted in new cane varieties which yielded higher tonnage per acre and juice with a greater sugar content than the original varieties. Chemists were employed by the industry. Commercial fertilizers were introduced. As a result, the first 100,000-ton sugar crop was produced in 1886, to be followed by the first 250,000-ton crop only 11 years later.

Meanwhile, the sugar industry's labor needs continued to feed the famous Hawaii melting pot. Portuguese immigrant families had arrived in 1878, mostly from the island of Madeira. German immigrants followed them in 1881. After formal arrangements were made between the governments in 1885, the major Japanese immigration began in earnest. By 1907, more than 180,000 Japanese had come to Hawaii to work, of whom about 126,000 had left to return home. By 1913, the number of Portuguese immigrants had swelled to 20,000 men, women and children, with the majority of them again coming from Portugal's island provinces.

CHART I-A.—Cane sugar production in Hawaii, 1908-63

Production year (beginning Oct 1, ending Sept. 30)	Tons sugar per acre	Tons cane per ton sugar	Total cane land area	Cane used for sugar			Sugar produced		Raw value 96° sugar made per short tons of cane	Recovery of equivalent refined sugar from cane ground
				Acreage harvested	Average yield per acre	Production	Converted to 96° raw value	Equivalent refined		
			Acres	Acres	Short tons	Short tons	Short tons	Short tons	Pounds	Percent
1908-09	5.14	7.42	201,641	106,127	38.2	4,050,000	545,738	510,048	270	12.59
1909-10	4.81	7.78	209,469	110,247	37.4	4,122,000	529,940	495,282	257	12.02
1910-11	5.16	7.94	214,312	112,796	41.0	4,623,000	582,196	544,120	252	11.77
1911-12	5.34	7.75	216,345	113,866	41.4	4,711,000	607,863	568,109	258	12.06
1912-13	4.90	7.99	215,741	113,548	39.1	4,445,000	556,654	520,249	250	11.70
1913-14	5.54	8.01	217,470	112,700	44.4	5,000,000	624,165	583,345	250	11.67
1914-15	5.75	7.96	239,800	113,164	45.8	5,184,393	650,970	608,397	251	11.74
1915-16	5.17	8.14	246,332	115,419	42.1	4,859,424	596,703	557,679	246	11.48
1916-17	5.57	7.98	247,476	117,468	44.4	5,220,000	654,388	611,591	251	11.72
1917-18	4.86	8.34	246,813	119,785	40.5	4,855,804	582,192	544,117	240	11.21
1918-19	5.07	7.81	239,844	119,679	39.6	4,744,070	607,174	567,465	256	11.96
1919-20	4.91	7.98	247,838	114,105	39.2	4,473,498	560,379	523,379	251	11.71
1920-21	4.83	8.53	236,510	113,056	41.2	4,657,222	546,273	510,547	235	10.96
1921-22	4.98	8.23	228,519	124,124	41.0	5,088,062	618,457	578,010	243	11.36
1922-23	4.85	8.23	235,134	114,182	39.9	4,559,819	554,199	517,954	243	11.36
1923-24	6.42	7.91	231,862	111,581	50.7	5,661,000	715,918	669,097	253	11.82
1924-25	6.47	8.05	240,597	120,632	52.2	6,297,000	781,000	730,000	248	11.59
1925-26	6.58	8.07	237,774	122,309	53.1	6,495,686	804,644	762,020	248	11.58
1926-27	6.68	8.41	234,809	124,542	56.1	6,992,082	831,648	777,258	238	11.12
1927-28	7.00	8.37	240,769	131,534	58.6	7,707,330	920,887	860,661	239	11.17
1928-29	7.16	8.05	239,858	129,131	57.7	7,447,494	925,140	864,636	248	11.61
1929-30	7.02	8.36	242,761	133,840	58.7	7,853,439	939,287	877,858	239	11.18
1930-31	7.43	8.33	251,533	137,037	61.9	8,485,183	1,018,047	951,467	240	11.21
1931-32	7.57	8.38	251,876	139,744	63.4	8,865,323	1,057,303	988,155	239	11.15
1932-33	7.34	8.05	254,563	144,959	59.1	8,566,781	1,063,605	994,045	248	11.60
1933 (Oct. 1 to Dec. 31)							127,317	118,990		

CHART I-B.—Cane sugar production in Hawaii, 1908-63

Production year (beginning Jan. 1)	Tons sugar per acre	Tons cane per ton sugar	Total cane land area	Cane used for sugar			Sugar produced		Raw value 96° sugar made per short tons of cane	Recovery of equivalent refined sugar from cane ground
				Acreage harvested	Average yield per acre	Production	Converted to 96° raw value	Equivalent refined		
			Acres	Acres	Short tons	Short tons	Short tons	Short tons	Pounds	Percent
1934	7.14	8.33	252,237	134,318	59.5	7,992,260	959,337	896,596	240	11.22
1935	7.82	8.67	246,491	126,116	67.8	8,555,424	966,849	922,309	231	10.78
1936	7.97	8.80	245,891	130,828	70.1	9,170,279	1,042,316	974,149	227	10.62
1937	7.46	9.32	240,833	126,671	69.5	8,802,716	944,382	882,619	215	10.03
1938	6.92	9.39	238,302	135,978	65.0	8,835,370	941,293	879,732	213	9.96
1939	7.18	8.66	235,227	138,440	62.2	8,609,543	994,173	929,154	231	10.79
1940	7.16	8.76	235,110	136,417	62.7	8,557,216	976,677	912,802	228	10.67
1941	7.24	9.04	238,111	130,768	65.5	8,559,797	947,190	885,244	221	10.34
1942	7.58	9.10	225,199	114,745	69.0	7,918,342	870,099	813,195	220	10.27
1943	7.79	9.24	220,928	113,754	71.9	8,185,400	885,640	827,719	216	10.11
1944	7.99	8.95	216,072	109,522	71.5	7,832,185	874,947	817,725	223	10.44
1945	7.96	8.98	211,331	103,173	71.4	7,371,158	821,216	767,509	223	10.41
1946	8.06	8.83	208,376	84,379	71.1	6,002,127	680,073	635,596	227	10.59
1947	7.72	9.11	211,624	113,020	70.3	7,942,216	872,187	815,146	220	10.26
1948	8.35	9.03	206,550	100,042	75.4	7,542,613	835,107	780,491	221	10.35
1949	8.76	8.44	213,354	108,794	73.9	8,045,941	955,890	893,375	238	11.10
1950	8.78	8.51	220,383	109,405	74.7	8,174,821	960,961	898,114	235	10.99

CHART I-B.—Cane sugar production in Hawaii, 1908-63—Continued

Production year (beginning Jan 1)	Tons sugar per acre	Tons cane per ton sugar	Total cane land area	Cane used for sugar			Sugar produced		Raw value 96° sugar made per short tons of cane	Recovery of equivalent refined sugar from cane ground
				Acreage harvested	Average yield per acre	Production	Converted to 96° raw value	Equivalent refined		
			<i>Acres</i>	<i>Acres</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Pounds</i>	<i>Percent</i>
1951.....	9.09	8.51	221,212	109,494	77.4	8,477,201	995,759	930,636	235	10.98
1952.....	9.44	8.52	221,990	108,089	80.4	8,693,920	1,020,450	953,712	235	10.97
1953.....	10.15	8.19	221,542	108,337	83.1	9,003,967	1,099,316	1,027,421	244	11.41
1954.....	10.02	8.75	220,138	107,480	87.75	9,431,781	1,077,347	1,006,889	228	10.68
1955.....	10.74	8.66	218,819	106,180	92.94	9,867,978	1,140,112	1,065,525	231	10.79
1956.....	10.28	9.01	220,606	106,956	92.65	9,909,990	1,099,543	1,027,633	222	10.37
1957.....	10.16	8.71	221,336	106,742	88.51	9,447,647	1,084,646	1,013,710	230	10.73
1958.....	9.09	9.87	221,683	84,136	89.77	7,552,750	764,953	714,925	203	9.47
1959.....	8.83	9.66	222,588	110,371	85.31	9,416,225	974,632	910,891	207	9.67
1960.....	9.03	9.20	224,617	103,584	83.15	8,613,317	935,744	874,546	217	10.86
1961.....	10.09	8.78	227,027	108,320	88.58	9,595,342	1,092,481	1,021,033	228	11.39
1962.....	10.31	8.78	228,926	108,600	90.36	9,812,580	1,120,011	1,046,762	228	11.41
1963.....	10.25	9.12	231,321	107,436	93.39	10,033,969	1,100,768	1,028,777	219	10.97

In the 20th century, the history of Hawaii's sugar industry has continued along the lines set down for it earlier.

Use of the most modern technology has continued the upward trend of production, and two World Wars have provided both stimulus and some dislocations. Since 1937, because sugar prices had fluctuated widely, new legislation to meet this problem became necessary.

The discovery of new and improved techniques brought more land, previously considered worthless, under cultivation after the turn of the century. Once again, the call for labor went out, and in 1906 the last influx, that of Filipino labor, commenced. By 1910 there were 2,361 Filipinos in Hawaii, the total rising

to 66,049 in 1931, when Filipino men comprised the bulk of plantation labor. Their recruitment was carefully planned. Pay and living conditions were publicized. Immigrants had to pay their own way over, although they were promised their passage home after 720 days of work within a 3-year period.

The pattern of development in the islands has been such as to develop large units that could respond to long-range planning and operations utilizing modern technology. As sugar boomed after the 1879 reciprocity treaty, the farmers turned to Honolulu merchants for financial and other help, resulting finally in a present-day network of 26 separate sugar plantation companies, plus about 1,200 independent cane planters.

eign sugar producing areas. In addition, there are fringe benefits of medical care, paid vacations and holidays, insurance and pensions.

In 1963, the average daily wage of non-supervisory employees in the Hawaii sugar industry was \$16.68, with fringe benefits valued at another \$5 a day. This \$21.68 total in 1963 rose to an estimated \$24.10 a day in 1965.

A recent 1-year collective bargaining contract covering employees of 25 plantations provided for wage increases of 7 cents an hour, starting February 1, 1965; an additional paid holiday on the day before New Year's; and extension of the industry's dental health insurance plan for children of employees.

It is estimated by the U.S. Department of Agriculture that average hourly cash earnings of field workers in Hawaii's sugar industry was \$2.22 in 1964, compared to \$1.29 for beet area workers, and that in 1965 Hawaii's cane field workers will be earning \$2.30 an hour, compared to \$1.35 for beet workers.

Meanwhile, the sugar shortages of 1962-63 have developed marketing problems for Hawaii's sugar industry. Surplus supplies became troublesome for western sugarbeet growers who had expanded production from 2,213,000 tons in 1957 to 3,110,000 tons in 1963 as the result of lifting or acreage restrictions. Much of this must be marketed in the same western areas of the United States in which Hawaii's cane sugar is sold. At the same time, the price of sugar has dropped from its scarcity highs to a more normal level.

The agreement among sugar industry segments on recommended legislation would appear to solve these problems in a manner satisfactory to Hawaii's cane producers as well as to the sugarbeet growers of the Western States.

In addition, it is indicated that Hawaiian cane growers will continue to depend, as they have in the past, on efficient utilization of the latest and best in technology. Fully 25 varieties of specially bred cane occupy important acreages in Hawaii. Applied science continues to be related to fertilization, irrigation, and insect and disease control.

Management engineers continue to apply themselves to new and more efficient methods of producing, harvesting, transporting, and milling cane. Major savings have been realized in bulk sugar unloading costs.

CHART II.—Sugarcane acreage, acreage harvested, production, average number of adult hourly rated employees, and total man-days of all hourly rated employees on Hawaiian sugar plantations

	1940	1945	1950	1955	1960	1963
Acreage.....	235,110	211,331	220,383	218,819	224,617	228,926
Acreage harvested.....	136,417	103,174	109,405	106,180	103,584	107,436
Production, 96° tons.....	976,677	821,216	960,961	1,140,112	935,744	1,100,768
Adult hourly rated employees.....	35,062	20,806	20,258	16,773	12,111	10,722
Total man-days, hourly rated employees.....	8,870,704	6,350,489	5,069,682	3,896,761	2,917,459	2,582,706

Technical progress continues to be the keynote to improved production. As a result, in the 1960's Hawaii has produced bigger yields on small acreages than anywhere else in the world.

The harvest sugar acreage in Hawaii reached an average yield of nearly 95 tons of cane an acre in 1964. Because cane is a 2-year crop in Hawaii, halving this gives a comparison of 42.5 tons per acre with the 29-ton average in Louisiana, the 32-ton yield for Florida, and the 33-ton yield for Puerto Rico.

One of the newer technical developments is the use of overhead irrigation, which is adaptable to areas not easily irrigated by earlier methods and which apparently requires only one-fourth as much water as would be used with ditch irrigation. This has led to the use of some additional land for sugarcane.

In addition, replanting with improved cane varieties continues, and new and improved loading machinery, unloading equipment, boilers, and other machinery are being installed. And new tests are being conducted on techniques of loading, cutting seed, utilizing bagasse—sugarcane waste—and mill processing.

The continuing importance of technological advances is of major importance in the light of tight limitations on land resources. From a high of 250,000 acres in 1932-33, sugarcane acreage in Hawaii declined to less than 207,000 in 1948 before rising again to more than 231,000 acres in 1963. It is believed that only about 250,000 acres throughout the State can ever be used profitably for sugarcane production, in the light of present sugar prices.

Growing hand in hand with modern plantation technology has been a program of industrial relations and cooperation with labor organizations that has seen Hawaii's sugar workers become the highest paid in any sugar growing area. Hawaii's sugar plantation and mill workers are represented by the International Longshoremen's & Warehousemen's Union.

The Hawaii plantation worker is employed the year around. He produces more and gets paid more. His hourly earnings are from one-third to three times higher than field workers' earnings in other sugar producing areas of America, and vastly above those of for-

The 1964 sugar crop of 1,178,770 tons set a new record high, breaking the record of 1,140,112 tons established in 1955. It produced the highest amount of sugar production per acre in the world, with its 10.64 tons per acre, just one-tenth of a ton lower than the record figure of 10.74 tons set in 1955. Cane land in production reached a post-World War II high of 233,145 acres, while total acres harvested amounted to 110,759 acres.

Because of the drop in sugar prices, receipts are estimated at about \$157 million which is equal to 1962 but well below the \$188 million recorded in 1963.

So it is that Hawaii's sugar industry maintains its position as one of the most important in the world in the face of the constant fluctuation of price, competitive position, and international relations with which it has had to contend since its inception.

We in Hawaii proudly look forward to continuation of this success story far into the future, with advantageous results to the State and its citizens as well as to the entire Nation.

(Mrs. MINK asked and was given permission to revise and extend her remarks.)

Mr. COOLEY. Mr. Chairman, I yield such time as he may consume to the gentleman from Wisconsin [Mr. STALBAUM].

(Mr. STALBAUM asked and was given permission to revise and extend his remarks.)

Mr. STALBAUM. Mr. Chairman, while I have not disturbed myself with the presentations of lobbyists I am disturbed at the treatment by the committee of the one country who would not operate through a lobbyist but preferred to work through her Embassy. That country is Argentina.

This matter was not brought up at the time of our committee action because I—and probably many others on the committee—had the impression that Argentina was not interested in our market for their sugar. It is my belief that a country should be permitted to present its case in such manner as it desires.

As a result of Argentina's nonappearance we were not aware of her case—and in my opinion she has a good one.

In 1963 Argentina shipped 216,000 tons to us—in a year when world factors were not always favorable to our market. In 1964 she fulfilled her quota of 20,000 tons and this year in the first 9 months—1965—she has already filed her quota of 66,000 tons. On the basis of this I feel that the statement on page 4 of the report of the ad hoc committee stating that Argentina is an erratic producer is unfair. She has always met her obligation to us. Contrast this with Brazil who shipped 184,000 tons in 1964 but was given a quota of 341,000 tons, or Venezuela, who did not ship us any sugar in 1964 but was given a quota of 31,000 tons.

In spite of shipping 216,000 tons in 1963, 20,000 tons in 1964, and 66,000 tons in 1965 the committee assigned Argentina a quota of only 21,485 tons. The original recommendation of the Department of Agriculture was for nearly 64,000 tons. This cut from 64,000 tons to 21,-

000-plus tons does not square with her shipments to us.

During the past 4 years six nations in South America sold sugar to us. In total shipment Argentina ranked third—after Peru and Brazil.

Yet—when the quotas were established Argentina received the lowest quota of the six countries. Even Venezuela, which had shipped only 3,000 tons a year for the past 4 years, received a quota nearly 10,000 tons a year higher than did Argentina.

I regret that these factors were not known at the time of the committee's deliberation. Had they been known to me I am sure that I would have favored giving Argentina more consideration than she received.

The ad hoc committee on page 7 of their report "The Development of Foreign Sugar Quotas in H.R. 11135," state that they have "tried to keep as much of the foreign sugar quota as possible in the Western Hemisphere." This is laudable. I only regret that the only country who did not hire a lobbyist seems to be the most unfairly treated of all the Western Hemisphere countries.

Nor is this the first time this occurred. In 1962 the Honey Bee Act had to be passed after the Sugar Act in order that Argentina be assigned any quota at all.

The following figures give a comparison of the recommendations with the committee approved bill H.R. 11135 for sugar quota for South American nations, as well as a comparison of the shipments of the seven South American nations for the years 1961 through 1964 as compared with the recommended quota:

Comparison of U.S. Department of Agriculture recommendation and committee-approved bill (H.R. 11135) for sugar quotas for South American nations

(In tons)

	USDA shipments	Committee
Peru.....	240,824	272,013
Brazil.....	221,558	340,925
Argentina.....	63,685	21,485
Ecuador.....	49,770	50,267
Colombia.....	27,829	42,970
Venezuela.....	2,676	30,809
Bolivia.....	0	4,054

Comparison of average annual shipments to the United States by South American nations (1961-64) and quotas as established by committee-approved bill (H.R. 11135)

(In tons)

	1961-64 shipments	Committee
Peru.....	441,750	272,013
Brazil.....	340,250	340,925
Argentina.....	64,750	21,485
Ecuador.....	54,000	50,267
Colombia.....	46,250	42,970
Venezuela.....	3,000	30,809
Bolivia.....	0	4,054

Mr. COOLEY. Mr. Chairman, I yield such time as he may desire to use to the gentleman from Hawaii [Mr. MATSUNAGA] a distinguished member of our committee.

(Mr. MATSUNAGA asked and was given permission to revise and extend his remarks.)

Mr. MATSUNAGA. Mr. Chairman,

although the hour is late, since I have waited all afternoon for this opportunity to address the House, I ask my colleagues to bear with me.

Mr. Chairman, although we have heard a great deal of criticism of H.R. 11135, the Sugar Act of 1965, no one has adequately described the conditions that would prevail if the proposed legislation is defeated. It is true that existing legislation continues until December 31, 1966. However, if this bill fails the greatest sufferers will be our own domestic producers of sugar. It will mean that they will be denied the opportunity to market domestically an additionally 580,000 tons each year, for the next 5 years, out of their large surplus stock. And to make matters worse this 580,000 tons, unless this bill is passed, will have to be brought from foreign producers. This bill is needed to help our own domestic sugar industry.

Much has been made of the fact that the world price of sugar is now about 2 cents a pound, while the United States pays over 6 cents a pound for imported sugar into this country. Actually, however, there is no assurance that the world price of sugar will continue at this low level. In late 1963 and early 1964 the price of sugar in world markets rose to 12 cents a pound, and exporters to the United States sold their sugar for less than they could have obtained in other markets. No one knows when this situation will be repeated. If this happens, our foreign suppliers will not gain a windfall, as has been alleged here by the opponents of this measure, but will suffer a loss. We need to bear this in mind because there is no guarantee that the present low level in the world market will continue. It would be a mistake to assume that the present low world sugar prices, which is below production costs in all exporting countries, will continue over the next 5 years.

As producers in the higher-cost countries cut back their production in the face of today's low prices, sugar production may be cut back too far again, as it was in 1963. World prices may again shoot up 8 to 10 cents a pound if a little too much adjustment is made in production. If and when this happens the provisions of H.R. 11135 will stabilize U.S. supplies and prices, with savings to consumers.

H.R. 11135 recognizes that as a matter of national security a substantial portion of our sugar requirements should be produced within the United States without resort to a high protective tariff. It assures U.S. consumers a plentiful and stable supply of sugar at reasonable prices. It also permits friendly foreign countries to participate equitably in supplying the U.S. sugar market.

Without sugar legislation of this type, U.S. sugarcane and sugarbeet producers would be subject to wide swings in prices, and probably would be operating at a loss most of the years due to competition from low-cost sugar producing areas near the equator.

Although it is common practice to speak of a world price for sugar, actually relatively little of the world trade in sugar is conducted by private trading firms.

Most of the industrialized nations of the world have domestic sugar-producing industries which are insulated from outside supplies and prices to a considerable extent.

For various reasons, most sugar moving in world trade is moving under government agreements, directed by government monopolies, or subject to government quotas.

We in the United States cannot allow our sugar supplies to be dependent on the actions of other governments. We believe as a matter of national security that we should have an efficient sugar-producing industry in the United States. It need not produce all our supplies, but it should produce a substantial portion of them, and our imports should be on a planned basis.

We now have a domestic sugar industry which directly provides employment for over 300,000 workers, of which about 240,000 represent the seasonal peak in employment on farms. In 1961, investments in the U.S. sugar industry totaled \$1,650 million, over half of which was in sugar factories and refineries. Investment in sugarbeet and sugarcane producing farmlands and production equipment make up a little less than half of the total.

As pointed out in the committee report the proposed sugar legislation does not provide for fixing the price of domestic sugar. The U.S. price is kept within a desirable range by the limitation and regulation of sugar imports.

Small conditional payments are made to domestic sugarbeet and sugarcane growers who comply with production restrictions, pay fair wages to workers, and avoid the use of child labor. A tax of 0.53 cent a pound is imposed on all sugar manufactured or imported into the United States which more than covers the conditional payments to producers. Since 1937, tax collections have exceeded compliance payments under the sugar program by \$550 million. Sugar is the only controlled agricultural product which can make this claim. It has more than paid for its own program.

All domestic areas including Hawaii, Puerto Rico, and the Virgin Islands will supply approximately 65 percent of the U.S. sugar needs under the proposed Sugar Act of 1965. It provides an insurance of adequate and stable supplies for American consumers at reasonable prices—prices which are lower than in most other countries.

The retail price of sugar in the United States is now about 11 cents a pound. In Italy, however, where consumers' incomes are much lower, the retail price of sugar approximates 16 cents a pound, in Sweden 15 cents a pound, in Germany and Japan 14 cents, in France and Yugoslavia sugar costs about 13 cents a pound, in the United Kingdom about 11 cents, and in Russia 45 cents a pound.

In all of these countries, per capita incomes are much lower than in the United States. In relation to consumers' buying power, therefore, sugar prices in the United States are much lower than anywhere in the world.

Mr. Chairman, H.R. 11135 continues the objectives of the Sugar Act of 1948

which has served this country exceptionally well. It is fair and equitable to the domestic producers, to the domestic consumers, and to the producers of friendly Nations.

The Agriculture Committee was virtually unanimous in its decisions on major provisions of this bill, and as a member of the committee I resent the insinuations that have been made on this floor that some lobbyists got to the members of the committee. Everything was above board and I am proud to have had a part in reporting this bill to the floor.

Mr. Chairman, in urging support of H.R. 11135 I speak for the passage of a bill which will not only result in good for my home State of Hawaii, but which will also continue in effect a law which has proven itself over the course of more than 30 years as being good for the entire Nation. Let us not abandon the good; let us continue it without any crippling amendments.

Mr. COOLEY. Mr. Chairman, I yield to the Resident Commissioner of Puerto Rico, Mr. POLANCO-ABREU, such time as he may require.

(Mr. POLANCO-ABREU asked and was given permission to revise and extend his remarks.)

Mr. POLANCO-ABREU. Mr. Chairman, I add my voice to many others urging swift approval of H.R. 11135 the Sugar Amendments of 1965. I represent a sugar producing area, and sugar is an enormously important commodity in our economy.

The Commonwealth of Puerto Rico supports the Sugar Amendments of 1965 and urges continuation of the system under which the domestic consumers are assured a continued supply of sugar at a reasonable price.

I realize that there are some who believe that improvements are possible in the system of our allotting foreign quotas and who may be otherwise disenchanted with the legislative procedures devised years ago to protect producers and consumers alike. I maintain, however, that this system works and that the Sugar Act and the stability which it brings to the sugar industry are fundamentals to the welfare of the thousands of Puerto Rican families that I represent and also fundamental to the welfare of all American consumers throughout the length and breadth of the United States.

I am sure in my mind that continued workable and effective legislation, based primarily on the decisions of the administration and reflecting the industry position, is essential for the growers and refiners and consumers, and moreover, is a valuable asset in connection with our relationships with our sugar-producing neighbors, as well as to the welfare of their people.

Puerto Rico has been unable to fill its quota for several years because of the effects of a disastrous hurricane, followed by an unprecedented drought combined with a 4-year spell of especially bad harvesting conditions.

The Puerto Rican government has been devoting its efforts and finances to improving the industry. Large investments are being made to mechanize, to replant, and to apply modern techniques,

Our production is on the upgrade again, and we hope to regain some of the ground that was lost during the past 8 years. The provisions in the bill before us will allow Puerto Rico time in which to recover lost production levels.

I hope that this bill may be promptly considered and approved, and that the Senate, which has already set hearings this week on the measure will likewise be able to debate and approve the legislation next week, perhaps as one of its last, but very important actions of this session.

Mr. COOLEY. Mr. Chairman, I yield such time as he may require to the gentleman from Florida [Mr. ROGERS].

(Mr. ROGERS of Florida asked and was given permission to revise and extend his remarks.)

Mr. ROGERS of Florida. Mr. Chairman, I rise in support of this legislation. The Sugar Act has worked successfully since 1934. It operates in the consumer's interest by insuring a stable supply of sugar for the U.S. market, and it does so without a consumer-penalizing tariff. It operates in the producer's interest by providing him with an assured market not subject to the uncertainties which plague the world market, and it allows the United States to produce a substantial portion of its own sugar needs within the continental United States.

The legislation before the House today wisely allows 65 percent of the Nation's sugar needs to be filled by American producers. I am pleased to note that the mainland cane area is allotted an additional quota of 205,000 tons.

For Florida's sugar producers this increase will allow our State to sell some 23 percent more sugar.

Florida's economy is now showing the dramatic effects of the sugar expansion which has taken place in our State since 1960. Production of sugar in Florida totaled 160,000 tons in 1960, and climbed to 574,000 tons in 1964—an increase of 359 percent.

With acreage alone, Florida showed an increase of 451 percent more cane in the ground between 1960 and 1964. While there has been a reduction of 17 percent less acreage planted for the 1965 crop, this new bill before the House will add much to an already booming commodity for Florida's diversifying economy.

Since 1960 there have been seven new sugar companies formed to participate in this growth. Representing an overall investment of approximately \$150 million, there are now 11 new sugar mills in Florida which have arisen since 1960.

The 1965 Florida crop is estimated to be worth over \$70 million. Clearly, sugar has taken a place alongside citrus and vegetables as a major Florida agricultural commodity.

I urge the House to enact this measure to continue the stability of the U.S. sugar market.

Mr. DAGUE. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. LANGEN].

(Mr. LANGEN asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, I realize as well as anyone that the hour is late

and that again we have arrived at the point where we do not have time to discuss a matter as important as this one, and we are about to use whatever methods there are to curtail the debate. I shall try to be as brief as possible and I shall try to bring out only a point or two that I think needs further emphasis.

In so doing I wish to state that I shall include some additional items that will be a part of the RECORD for tomorrow.

Mr. Chairman, the writers of this sugar bill before us today are trying to tell us that its passage is urgently needed to help the domestic sugar industry, but actually this bill represents another 5 years of decreased production for our beet farmers, and completely denies them the right to share in the growth of the U.S. sugar market. If there is any

urgency in this bill, it was created by this Government when it asked the domestic industry to produce more sugar when world supplies were low. The American growers responded magnificently and their right to market that sugar is now being used as an excuse by those who want this bill passed without question. But when you look at the facts, there are no favors in this bill for the domestic producers. While the bill provides for an increase of 375,000 tons to domestic beets and 205,000 tons to domestic cane, these increases are very costly. The bill provides that they must sacrifice the allocation of 65 percent of any increase in our needs from 9.7 billion tons and 10.4 million tons or a total of 700,000 tons. Therefore there is little or no benefit to

domestic producers as has been implied by many.

As we read this bill, it becomes obvious where the favors are being dispensed. Section after section directs special attention to foreign sugar interests in preference to our domestic growers.

I have prepared an analysis of sugar policies in this country over the past 4 years and have compared this history with the proposals for 1966. When the facts are put on paper, with the figures for quotas and purchases set forth in columns for easy analysis, an interesting and strange story emerges. It is a story that shakes a warning finger at the decisions of the past that have led us to this moment today. The table thereby follows:

TABLE I.—Quotas and purchases for sugar, 1962 to 1966

(In tons)

	Quota 1962	Purchased 1962	Quota 1963	Purchased 1963	Quota 1964	Purchased 1964	Quota 1965	Quota 1966
Peru.....	132,939	530,312	206,243	413,418	192,096	232,780	222,691	272,013
Dominican Republic.....	191,834	861,523	336,243	589,999	322,096	398,462	357,566	340,925
Mexico.....	118,734	397,574	206,243	379,379	192,096	480,120	358,617	340,925
Nicaragua.....	18,193	47,129	27,048	38,392	25,193	50,340	37,395	38,511
Netherlands.....	1,970	7,319						
Haiti.....	12,145	34,347	21,823	40,423	20,326	14,957	20,168	28,782
China.....	16,441	121,473	38,114	71,269	35,499	81,156	63,026	67,293
Hong Kong.....	2	43						
Canada.....	316	3,654						
United Kingdom.....	258	1,742						
Belgium.....	182	1,863	182	7,546	182	180	1,744	
Guatemala.....	8,325	32,870	21,823	51,050	20,326	37,251	36,828	32,836
Honduras.....								4,054
El Salvador.....	4,221	19,137	11,065	18,955	10,306	20,571	15,820	30,403
Venezuela.....				11,907			2,458	30,809
Costa Rica.....	12,215	26,629	27,048	40,637	25,193	40,526	32,143	42,159
Panama.....	8,116	3,774	16,290	10,183	8,832	19,216	13,298	25,134
British Guiana and British West Indies.....	37,447	181,661	98,050	141,356	91,325	142,228	112,690	150,397
Brazil.....	74,694	391,157	195,793	469,822	182,363	182,363	204,057	340,925
Australia.....	16,534	148,624	43,339	223,584	40,366	215,098	171,913	162,152
French West Indies.....	12,430	43,706	32,581	94,297	30,346	34,286	39,706	42,970
Colombia.....	12,430	66,127	32,581	45,030	30,346	28,292	27,038	42,970
Ecuador.....	10,319	66,861	27,048	56,482	25,193	57,920	45,652	50,267
India.....	8,325	144,677	21,823	118,963	20,326	110,553	89,224	64,861
South Africa.....	8,325	93,091	21,823	132,272	20,326	119,960	98,047	29,593
Argentina.....	10,000	9,757	20,000	228,568	20,000	19,751	59,244	21,485
British Honduras.....	4,104		10,758	1,712	974	5,988	3,845	19,864
Fiji Islands.....	4,104	15,754	10,758	48,565	10,020	54,517	41,954	24,323
Ireland.....	5,000	9,977	10,000	9,973	10,000		7,983	
Paraguay.....	4,104		10,758					
France.....				22,953		845	5,315	
Malagasy Republic.....						11,599	6,723	6,081
Mauritius.....		13,475		66,605			13,866	14,188
Reunion.....				9,893			2,038	
Southern Rhodesia.....				10,589		10,260	8,403	6,081
Turkey.....		65,304		6,578			1,408	
Thailand.....								19,864
Bolivia.....								4,054
Swaziland.....								6,081
Unallotted reserve.....	4,680		11,908		36,577			
Total.....	837,387	3,339,561	1,459,342	3,360,382	1,370,307	2,369,179	2,100,860	2,260,000
Philippines.....	1,050,000	1,256,164	1,050,000	1,194,833	1,050,000	1,217,393	1,050,000	1,050,000
Domestic beet.....	2,795,769	2,415,000	2,990,127	2,965,000	2,698,590	2,698,590	2,698,579	3,025,000
Mainland cane.....	944,231	787,000	1,009,873	1,072,000	911,410	1,905,000	911,410	1,100,000
Hawaii.....	1,110,000	1,084,000	1,110,000	1,033,000	1,110,000	1,110,000	1,110,000	1,110,000
Puerto Rico.....	1,140,000	904,000	1,140,000	875,000	1,140,000	1,793,000	915,000	1,140,000
Virgin Islands.....	15,000	11,000	15,000	15,000	15,832	16,000	15,832	15,000
Cuban to other countries.....	2,206,613		1,625,658		1,503,861		2,398,319	
Total quota.....	10,000,000		10,400,000		9,800,000		9,200,000	9,700,000
Total purchases.....		9,796,725		10,515,215		9,109,572		

¹ Rounded off to nearest thousand.

² Unallocated.

NOTE.—Bahamas in 1968 has 10,000-ton quota.

The first startling conclusion is that the domestic sugar industry has barely held its own while the favors extended foreign sugar suppliers pyramided at an alarming rate. Between 1962 and the present proposed quotas in this bill for 1966, the domestic sugarbeet growers of this Nation will have received an increase in their quota of a modest 8 percent, including the extra sugar to be marketed at the insistence of the Federal Government during the sugar short-

age. Foreign quotas during that same time, however, increased a whopping 170 percent. Quotas for these foreign nations increased from 837,387 tons in 1962 to 2,260,000 tons for 1966 under provisions of the bill being considered today. That is a figure almost three times as large as it was in 1962, during the very same time period when the domestic industry was forced to virtually stand still. These figures were obtained by comparing the exact same list of nations for

each year, and clearly indicates the preferential treatment received by foreign nations in the sugar bills passed by the Congress.

Of course, when you look at the actual tonnage purchased each year from these quota countries, you get an even stranger picture. An almost consistent pattern emerges whereby we see that "Uncle Sugar" purchased at least double the amount of the quotas from most of the

Source: "Sugar Reports", U.S. Department of Agriculture, Agricultural Stabilization Service, H. Rept. 1046, 89th Cong., 1st sess. "Selected Data on Sugar," prepared by the Department of Agriculture for the House Committee on Agriculture, Aug. 16, 1965.

countries listed. In fact, a number of them actually sold us six times as much sugar as specified by the quotas. This also is an interesting and puzzling aspect of our sugar policies. Our domestic producers cannot market one single ounce of sugar beyond the established quota. But the favored foreign nations are not bothered with such inconveniences at all. In fact, their quotas too often become meaningless compared with our purchases from them.

Not only have these foreign countries been given ever-increasing quotas and been allowed to sell sugar to us well in excess of these quotas, but we even see a list of entirely new nations from whom

we have not been buying sugar. In other words, we tell our domestic growers that they must curtail production and that no new growers are to be allowed into the sugar business. But in the same breath we welcome increased production in other nations and even start buying in new areas. You will note that in this 5-year bill the Bahama Islands will be brought into sugar production in 1968. The Bahamas have never raised sugar before, but we have told them to go ahead and try and that we will provide premium prices for it.

Yes, Mr. Chairman, it is obvious where the favors are being dispensed under the legislation before us.

The comparative figures relative to quotas and purchases reveal a host of unanswered questions that need to be aired here today. Why has Peru's quota more than doubled since 1962? Why has Haiti's quota more than doubled? What are the reasons for the Dominican Republic's quota being increased by 150,000 tons a year? Why is Brazil's quota now almost five times as great? Why did Venezuela's quota jump from 2,500 tons in 1965 to over 30,000 in 1966? Or, on the other hand, why does Argentina's quota under this new bill stand out like a sore thumb because her quota was slashed to barely one-third of what it was before?

TABLE II.—Information on sugar lobbyists

Name of attorney and firm	Client's name	Compensation for most recent 12-month period
Charles Patrick Clark, 500 World Center Building, Washington, D.C.	Venezuelan Sugar Distributors Association	\$50,000.00
Oscar L. Chapman, of Chapman & Friedman, Washington, D.C.	National Union of Sugar Producers of Mexico	50,000.00
Albert S. Nemir, A. S. Nemir Associates, Washington, D.C.	Brazilian Sugar & Alcohol Institute	31,511.06
Arthur L. Quinn, of Quinn & Quinn, Washington, D.C.	Privately owned sugar companies in British West Indies, Ecuador, Panama, and British Honduras	25,000.00
Sheldon Z. Kaplan, of Wilkinson, Cragun & Barker, Washington, D.C.	Latin American Sugar Council, Honduras, El Salvador, Nicaragua, Guatemala, Costa Rica	24,800.00
Charles H. Brown, Washington, D.C.	Fiji	24,000.00
Dawson, Griffin, Pickens & Riddell, Washington, D.C.	Indian Sugar Mills Association	20,000.00
John R. Mahoney, of Casey, Lane & Mittendorf, New York City	South African Sugar Association	19,320.08
Robert C. Barnard of Cleary, Gottlieb, Steen & Hamilton, New York City	Colonial Sugar Refinery, Sydney, Australia	19,175.12
John A. O'Donnell, Washington, D.C.	Philippine Sugar Association and National Federation of Sugarcane Planters of Philippines	18,000.00
Arnold F. Shaw, Washington, D.C.	Sugar Producers Committee of Peru	15,000.00
Ernest Schein & John G. Laylin, Washington, D.C.	Associated Sugar Producers of Colombia	15,000.00
James M. Earnest, Washington, D.C.	Mauritius Chamber of Agriculture & Sugar Syndicate	13,952.00
Walter Sterling Surrey, of Surrey, Karasik, Gould & Greene, Washington, D.C.	Sugar Producers of Guadalupe & Martinique	12,500.00
Seymour S. Guthman, Washington, D.C.	Sugar Producers of the Madagascar Republic	7,600.00
Attorney Ganson Purcell, of Purcell & Nelson, Washington, D.C.	Southern Rhodesia Sugar Sales, Ltd.	5,000.00
Attorney George Grant, Washington, D.C.	Thailand	3,500.00
Robert L. Farrington, Washington, D.C.	Republic of China	3,000.00
Robert D. Larsen, of Royall, Koegel & Rogers, Washington, D.C.	Swaziland Sugar Association	(1)

¹ Filed Aug. 2, 1965 (nothing received up to time of filing).

Source: Foreign Agents Registrations Section, U.S. Department of Justice.

A published report tells us that one of these lobbyists even sat in on some of the hearings conducted on this legislation by the Committee on Agriculture; and how this lobbyist was even praised by the committee chairman. This man represents the British West Indies, British Honduras, Ecuador, and Panama. There must have been a lot of sweet talk going on because those four countries all received increased quotas that total almost 60,000 tons a year.

Haiti, that unhappy land ruled by the worst tyrant in the Western Hemisphere, was represented by a lobbyist who has not even had the courtesy to register with the Justice Department. Prior to that, Haiti was represented by a close friend of the White House. Haiti will get an 8,500-ton increase in its quota, a quota that has more than doubled since 1962. As one report noted, the premium price will give Dictator Duvalier access to an extra \$10 million, most of which will probably end up in his Swiss bank accounts. It is another example of how we grease the palm of an unfriendly dictator who keeps his people starving.

A brandnew lobbyist showed up to represent Thailand and that country gets a quota for the first time of almost 20,000 tons.

Venezuela's quota jump of 27,500 tons helped one lobbyist earn his \$50,000 fee.

Peru's quota jump of 50,000 tons reflects the efforts of the Washington attorney retained by that Nation.

Brazil, also with a lobbyist on hand, will see its quota jump by 115,000 tons. Brazil will have increased its quota by over 260,000 tons just since 1962, which is a total ton increase well over the increase experienced by all of the sugar-beet growers in the United States during the same period.

But, what happened to Argentina, the country that had its quota slashed to barely a third of what it was? Was its lobbyist sleeping on the job? No, Argentina had the old-fashioned idea that it was enough for a foreign nation to be represented in America by its Embassy, so that country had no lobbyist at all. The implication did not go unnoticed by that friendly nation.

Mr. Chairman, the American public is getting wise to the questionable activities of these lobbyists. Thanks to the press of the Nation, the story is being told, and the people are reading with amazement about those working in Washington who peddle sugar for the foreign interests. It is unconscionable that such lobbying should influence a decision that is strictly the business of the United States. These lobbyists are not concerned with foreign policy. They are not concerned with the effects of their activity on the economy of U.S. agriculture. They are not concerned with anything except getting a larger quota for the countries they represent, with the consequently larger fee for their own pockets. That is why we must act to

rid the Halls of Congress of these parasites.

I certainly cannot understand why these lobbying activities should come as a surprise to anyone. A number of us have talked about them for years, and there are hundreds of pages of testimony taken by a Senate Investigating Committee a few years ago that should have been made required reading for every Member of Congress. Here in my hand, for instance, is a part of the Senate Foreign Relations Committee hearing report that contains incredible testimony relative to lobbying for the Dominican Republic. This testimony is important because it concerns the dealing with people who represented a country that has seen its sugar quota almost doubled since 1962. The entire history of our sugar purchases from the Dominican Republic has been cloaked in mystery and intrigue. We have poured millions of dollars into that country in various ways, including the gravy from our premium sugar payments, but it has not solved many problems for that beleaguered nation. Just last month the Agriculture Department announced an additional sugar allocation of almost 32,000 tons to the Dominican Republic. The gratitude for this additional consideration was graphically portrayed less than 2 weeks later with anti-American demonstrations led by former Dominican President Juan Bosch.

You will recall that the Dominican Republic also was involved in that infamous debate held on the floor of this House in 1962 when we considered what was supposed to have been a relatively minor piece of legislation called the honey bee bill. Just 10 days earlier, the Congress passed a sugar bill that for all intent and purpose would become the law of the land. But, lo and behold, an amendment was attached to the honey bee bill to reallocate 150,000 tons of sugar. You will remember that 130,000 tons a year out of that 150,000 went to the Dominican Republic. It was strange, indeed, that a sugar bill could make its way through the Congress with committee hearings, House and Senate consideration, and the Presidential signature, only to be found inadequate 10 days later. Obviously, someone was unhappy with the quota, and the finger pointed directly to the Dominican Republic.

Compare such action to the requests that have been made by the farmers throughout the United States for the past 25 years; requests that have literally begged for the opportunity of raising a few sugarbeets and producing a little larger share of our sugar need. We have never seen any 10-day action on such requests. In fact, we have seen little action in 10 years. But the foreign influence on our domestic sugar affairs continues unabated.

The 150,000 tons allocated in that honey bee bill, Mr. Chairman, would have provided the acreage for three new domestic sugarbeet plants in such areas as Minnesota where beets have been proven to be a profitable venture.

We have other examples of questionable lobbying practices, fully documented by Senate investigators. Two of them are John A. O'Donnell and Ernest Schein, representatives of the Philippines. Their labors certainly were reflected in the recent discussions and actions relative to the Philippine sugar quota contained in the bill before us. The Philippines will get an extra quota of 70,000 tons in addition to the 980,000 tons they get under a long-standing treaty. They also enjoy a sliding scale on the tariff. In addition, they get 10.86 percent of all increases in sugar consumption between the levels of 9.7 million tons and 10.4 million tons, which could mean an extra quota of about 30,000 tons. The Philippines also get 47.22 percent of any deficit that occurs in the domestic quota production. And to show what power these lobbyists have, after the Philippines examined the language of the original bill, they complained that they were not given 47.22 percent of deficits which might occur in all foreign quotas as well as domestic. Their complaints were heard and the bill before us was changed to give them what they wanted. This, of course, represents a paradox. Deficits from the domestic quotas always go to the supplying foreign countries, but foreign deficits never go to the domestic industry, even when there is a surplus of sugar on hand. The American farmer is not only shortchanged by foreign nations, he is also shortchanged by his own Government.

Political considerations also are evident in other areas of consideration relative to the domestic sugar industry. I have in my files a copy of a speech made by Irvin A. Hoff, executive director of the U.S. Cane Sugar Refiners' Association on June 10, 1964, before the annual convention of the National Confectioners Association. Mr. Hoff was playing games with a double-edged sword. In his speech he stumped for the overseas suppliers of sugar that is processed in U.S. plants, and at the same time attempted to smear the sugarbeet growers of America. A short time later Mr. Hoff found himself named as coordinator of the Democratic presidential campaign in 11 Western States. These Western States raise sugarbeets, the very commodity Hoff said should not have an increase in quota.

Mr. Chairman, I understand we are to be permitted to consider an amendment relative to recapture or import fees in addition to the amendment relative to lobbying activities by representatives of foreign nations. I am certainly pleased that the distinguished Committee on Rules has at least permitted these two amendments to be considered under the limited rule granted this bill.

As to these import fees, permit me to dwell a moment on the recent history of such transactions. A fee was imposed under the Sugar Act Amendments of 1962. In fiscal 1963, \$37 million was returned to the Treasury, a figure that would have been much higher except for the fact that the world price rose higher than ours during the last half of the year. We also collected an additional \$4 million late in 1964 when the world price of sugar dropped below ours. The authority for the fees expired at the end of 1964 and we have had none since. However, if we had collected fees during 1965, using a recapture figure of 50 percent between the world price and ours, we would have theoretically collected about \$140 million. Or, the Treasury could have been \$210 million richer if the 75-percent formula had been used, as is suggested by the amendment being considered today. Even a recapture levy of just 1 cent a pound would amount to \$80 million. Of course, these figures assume that world prices would have remained the same with or without the import fee. It is reasonable to assume that the difference between the world price and the U.S. price would have been less under the fee setup than without it, but the arguments in favor of a fee remain equally valid.

Consider for a moment just what happens when the United States pays a high premium price for sugar. Most of the supplying nations sell sugar on the world market as well as to us. Therefore, the average price any nation receives for its total sugar production is a blend of the high U.S. price and the low world price. The average figure is somewhere between the two extremes. This means that our premium price on sugar, financed by the taxpayers and consumers of America, results in a higher average price on all of the sugar produced by these foreign countries. In other words, we are sub-

sidizing every pound of sugar they sell on the world market. Our premium price actually contributes to the unusually low world price, so our subsidy actually makes it possible for other countries, including the Communist bloc, to buy sugar at a lower price than they could buy it if the United States didn't create the subsidy through premium prices. The use of a realistic import or recapture fee would eliminate much of this direct subsidy and the natural workings of the world market prices would conceivably be influenced by such fees. Not only could the United States recapture some of the money being given favored nations for their sugar, but the rest of the world would pay a realistic price for their own sugar needs.

Unfortunately, under the present system, the American taxpayer is providing gravy for too many individuals who line their own pockets and rarely pass the bonanza on to the people of their countries.

The argument has too often been made that increased allotments, premium payments, and the like, are needed in foreign countries to improve the economic and agricultural climates of those nations. It has rarely worked that way. Instead, we have created hardships for our own farmers, who are already on the financial ropes in many ways. It is tragic to consider that the American farmer has made it possible for our consumers to spend the least percentage of income on food of any nation in the world, but he does not participate in the abundance himself. Saddled with a ceiling on his income, mounting costs of production, the American farmer is searching for something to raise that would help himself and his Nation. Sugarbeets are the answer to both problems in so many areas, but the red light continues to flash on his efforts.

Naturally, we cannot pin all of the blame for American agriculture's problems on the foreign lobbyists, even though the lobbyists have contributed to its problems in the field of sugar. Our own Government officials have often worked at cross purposes with our farmers. The few times when a modest increase has been noted for sugarbeet expansion, much of it has gone to areas in which sugarbeets have never been grown and are actually considered to be unsuited for profitable production. As I stated earlier, this bill before us has absolutely no increase for either established growers or new growers. It actually reflects a reduction in acreage for the present growers. The increased quota represents sugar already on hand, produced at the request of this Government in time of need and at last being released for marketing. This bill represents another 5 years of reduced plantings on the domestic scene and a continuation of unduly high quotas for foreign producers.

It is strange, indeed, that the domestic sugar industry, which responded so magnificently when we so sorely needed sugar back in 1962 and 1963, has now been forgotten so completely and so soon. I did not hear much from the foreign

lobbyists when there was a lack of supply around the world. But they were back in a hurry when they again had something to peddle.

As I have said on so many occasions, an increased percentage of our national consumption for our domestic growers is the only way of assuring this Nation of an adequate and dependable sugar supply.

I realize we can but start on the road to sensible sugar legislation through the amendments and bill before us today. But we must make that start and hope that the Senate carries the battle a step further when they consider this same legislation.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. LANGEN. I am glad to yield to the chairman of the Committee on Agriculture.

Mr. COOLEY. Do you not realize that the domestic producers picked up 580,000 tons of this so-called foreign sugar that ordinarily would have come from foreign countries? You have producers right out in your State of Minnesota. As I said, the domestic producers picked up 580,000 tons.

Mr. LANGEN. I should recall for the chairman in the event that he was not listening to what I said earlier, that that 580,000 tons was gotten at a price whereby we sacrificed 65 percent of any increase in American consumption between a total of 9.7 and 10.4 million tons.

Mr. COOLEY. What do you mean you got it at a price?

Mr. LANGEN. I shall read to you from the committee report so that we will be sure it is correct. The report reads:

These quotas would be unaffected by any change in requirements between 9.7 and 10.4 million tons but would absorb 65 percent of any reduction from or addition to requirements outside of that range.

So we paid for the increase by giving up 65 percent of 700,000 tons.

Mr. COOLEY. Is the gentleman in disagreement with the domestic industry agreement? Is that what you are complaining about—because they got 580,000 tons more?

Mr. LANGEN. You are no doubt referring to the agreements that were reached downtown somewhere all of these lobbyists were operating.

Mr. COOLEY. And our committee approved it. So you are complaining about that.

Mr. LANGEN. I am complaining about the fact that the American producers should receive the same kind of equity and consideration as producers of foreign countries.

Mr. COOLEY. The domestic producers are very well satisfied.

Mrs. MAY. Mr. Chairman, will the gentleman yield at this point?

Mr. LANGEN. I shall be glad to yield to the gentlewoman.

Mrs. MAY. What the gentleman is trying to state here I believe is that the beet sugar industry's agreement with other portions of the sugar industry in America was a shotgun wedding—right?

Mr. LANGEN. That is a mighty good expression and I think it fits the occasion well.

There has been a lot said about world prices and about blend prices. Yes, they are pretty pertinent factors particularly when it gets to the recoverment fee.

One of the points that has been somewhat missed that should be remembered is that once these quotas have been set for foreign countries, we buy that volume of sugar from them at the predetermined price as established in this country which is much higher than the world price today. When you do that what is the income to the producer in the foreign country? It is a blend price. What he gets for that sugar and what he gets for the additional sugar that they sell on the world market then becomes his income. So then what happens? Actually what we are doing is that we provide all of the profit to these producers and we make it possible for them to sell at this low world price—yes, to Communist countries if you will—so that we are subsidizing to a substantial degree the sale of that surplus sugar to all of the other countries.

Mr. COOLEY. If we had not had a sugar program, what do you think would happen to the domestic producers in America?

Mr. LANGEN. I am not talking about a situation where we have no sugar program. I am talking about this sugar program and I am talking of the manner in which we might be able to improve it.

Mr. COOLEY. I am talking about the sugar program too. If we did not have it, you would go bankrupt. That is what would happen to you.

Mr. LANGEN. I do not believe we should continue subsidizing the sale of sugar on the world market with much of it going directly to the Communist countries. So in view of that, it would seem to me that this House might do well to give consideration to a couple of these points because the bill can be improved in favor of American producers and I say our American producers are entitled to that. They took a 6-percent reduction in my area this year and they are apt to take a further reduction next year if this year's crop turns out as well as some predictions have indicated.

So anyone who thinks that there is a big bonanza in this for the American domestic producer had better give it a second thought.

Mr. COOLEY. Mr. Chairman, I yield to the gentleman from New York [Mr. RYAN] 5 minutes.

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Chairman, I rise in opposition to the proposed sugar bill. The deficiencies of H.R. 11135 in both conception and construction are of such magnitude as to mark it—in the eyes of the U.S. public and of foreign governments—as an archetype of selfish special interest legislation. A number of my colleagues have dealt at length, both here on the floor and in committee, with the defects of the committee's bill—with the illogic of quota allocations, with the frenetic but highly lucrative activities of

the lobbyists. I wish merely to add some comments on the incongruities and inconsistencies that arise from constructing such special-interest legislation.

In the postwar period the United States has consistently urged the other nations of the world to move toward freer trade—to the elimination of quotas and the reduction of tariffs. Currently, U.S. negotiators at the highest policy levels are working in Geneva for a reduction in international trade barriers.

Yet at the same time we are now asked to approve a bill which is virtually airtight in its restrictiveness—controlling imports, production, marketing, and price. And this is being done to protect an industry which requires raw sugar prices in the United States to be maintained at close to 7 cents per pound to assure profitable operations, whereas foreign producers can produce profitably at 4 cents a pound and in some instances at 3 cents a pound.

It is true that many domestic producers have established and expanded their businesses in reliance on continued quotas. They are entitled to protection and to readjustment assistance where they acted in good faith. However, many of their foreign competitors are poor countries of the tropics which rely on foreign exchange earned from sugar for their very survival. In the fact of this situation, is it a rational allocation of international resources to raise—as this bill would—the domestic quotas from 3,545,000 short tons to 4,125,000?

In discussing the elimination of the import fee, the committee report states on page 6:

It did not seem to be good policy to members of the committee that the United States would assess a fee upon trade with a friendly neighbor and then, in effect, return the proceeds from the fee in the form of aid. The committee prefers to give trade precedence over aid in our dealing with friendly peoples.

If the committee is suggesting that it allotted quotas on the basis of foreign aid principles, I am curious to know what those principles were. Is there any reason, for example, why on this basis over 6 percent of foreign imports should be set aside for such developed areas as Australia, South Africa, and China? Is there a foreign aid reason for giving equal quotas to Mexico, the Dominican Republic and Brazil? Is there a foreign aid reason for allotting Peru a smaller percentage than the preceding three countries?

Beyond these mystifying allocations, however, there is an obvious way in which H.R. 11135 may injure those friendly sugar-producing countries which are given small allocations or none at all.

Countries which are subsidized with U.S. allocations can expand their production beyond the limits justified by costs and dump low-priced sugar on the world market forcing down the price to the detriment of those countries which have no important outlets. A simple example demonstrates this point. If a country which produces 200,000 tons of sugar a year at a cost of 4 cents a pound can sell 100,000 tons in the U.S. market at 5½ cents a pound, it can dispose of

the rest on the world market for as low as 2½ cents per pound and still break even.

Is this kind of trade policy better for the development of these countries than a rational foreign aid program?

Foreign aid through the Alliance for Progress is designed to reach the people. The sugar premium often goes directly to the American companies conducting the sugar operations abroad.

While it is certainly within the province of the Department of Agriculture and the Committee on Agriculture to draft legislation which intimately affects the efficiency and well being of that part of the U.S. agricultural community which is engaged in sugar production, I fail to understand what special competence the Department of Agriculture or the Committee on Agriculture have in allotting quotas among foreign nations. It would seem to me that the Department of State and the Foreign Affairs Committee of this body would be the competent groups for resolving the enormously complex issues involved in distributing quotas.

Just to point to one of the anomalies that arises when those concerned with agriculture attempt to write foreign policy, let us consider the case of Cuba. Under current legislation a total of 57.77 percent of the total foreign allocation is held in reserve for Cuba against the time when she may return to the world of free nations. This reserve serves as both an incentive for Cuba to do so and as a guarantee that once she does, she will have some of the resources needed to reestablish herself. Nevertheless in its desire to spread the quotas a little further among all those insistently requesting them, the committee has reduced Cuba's permanent share to 44.25 percent—a cut of almost one-quarter. Does such an action conform to the best interests of U.S. foreign policy?

Then there is the proposed 10,000-ton quota for the Bahamas which does not even produce sugar. This quota may increase the profits of the Owens-Illinois Corp. which owns the land. But what foreign policy objective will be possibly served?

Mr. RESNICK. Mr. Chairman, will the gentleman yield to me at that point?

Mr. RYAN. I yield to the gentleman from New York.

Mr. RESNICK. The question of a quota for the Bahamas has arisen. If the gentleman has seen the development of the foreign sugar quotas in H.R. 11135, he has observed that there are some nine factors which the committee quotes as the criteria of the reasons for giving quotas.

I remind the gentlemen of these factors:

1. Ability to supply the stipulated amount of sugar to the U.S. market.
2. Ability (particularly among the larger suppliers) to carry reserves of up to 30 percent to meet emergencies or increases in demand.
3. Ready availability of supply, with preference to Western Hemisphere producers, because of a delivery time of 2 to 3 weeks, compared to a delivery time of 6 to 8 weeks for other countries.
4. Stability of supply—including the element of stability of the local government.

5. The economic need of the country for a U.S. quota and the relative value of a quota to such country.

6. Purchase of, and potential market for, U.S. agricultural commodities, including the balance-of-trade relationship with the United States.

7. Reasons of national policy and strategy, including unusual military or strategic importance of the nation receiving a sugar quota.

8. Friendliness of the government and support of U.S. foreign policy—particularly in the U.N. and the OAS.

9. The record of performance in making deliveries to the United States in 1962, 1963, and 1964.

Would the gentleman agree with me that the Bahama Islands do not meet one single one of these criteria set up by the committee itself?

Mr. RYAN. The gentleman makes a valid point concerning the allocation to the Bahama Islands. There is simply no criteria on which to base such an allocation.

Mr. Chairman, it is no secret that the cost of this legislation amounts a burden of over \$600 million a year borne by the consumer in the form of U.S. sugar prices as compared to those on the world market. I should like to note, however, two little-discussed aspects of these high prices. Dextrose and artificial sweeteners are taking over an increasingly larger proportion of the total market for sweeteners.

While the main reasons for this development probably relate to dieting, the high price of sugar certainly helps to encourage the shift to sugar substitutes. Thus through its high price protectionist policies the domestic sugar industry may well be setting the stage for its own eventual displacement. Generally, the trend of dextrose prices relative to refined sugar has been downward since the early 1950's. Currently—August 1965—dextrose, on a dry basis, sells at 88 percent of the cost of refined sugar. This compares to 91 percent in the 1952-55 period.

As far as the individual consumer is concerned, the burden of this legislation is likely to fall much more heavily on the poor—and particularly those with large families. Sugar as a basic food accounts for a much larger proportion of the budgets of the poor than it does of those of the rich.

Mr. Chairman, H.R. 11135 should be defeated. The present law does not expire until December 31, 1966. Meanwhile, a comprehensive study can be made of all of the issues involved in this legislation, and a bill can be drafted which puts the interests of the consumer and our foreign policy objectives ahead of special interest lobbies.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. LEGGETT].

(Mr. LEGGETT asked and was given permission to revise and extend his remarks.)

Mr. LEGGETT. Mr. Chairman, I rise in support of this legislation.

The statistics show that the largest sugarbeet district in the United States is the Fourth Congressional District in California, which is mine. We also have, I

believe, one-third of the employment payroll from the largest cane manufacturing plant in the United States, in close by Contra Costa County in the district of my colleague, the gentleman from California [Mr. BALDWIN].

I believe that one of the primary things accomplished in this legislation has been the fact that there has been an agreement between the cane and beet industries. This is no insignificant matter.

I believe that this legislation is going to be good, because the consumer prices will be assured for an additional period of time. Nobody can complain that the consumer has been the victim of unscrupulous processors or producers in the recent past.

With respect to the cost to the Government, I should like to remind the House that recently we all received a listing of the budget, of the cost of the Commodity Credit Corporation, which has expended some \$2.6 billion to maintain prices to producers, to provide export payments, and a host of different inventory items, storage, and handling expenses. In all of those items, totaling \$3.3 billion, we do not find any sugar.

As opposed to that, we all know that the current legislation has provided a profit of \$550 million over the past 10 years, the last decade of the operation of the program. What has not been mentioned is the fact that the 62-cent tariff raises between \$35 million and \$50 million a year.

There is some hiatus in the positions of the two gentlemen from New York. Apparently the last speaker would have us take off the tariff entirely, whereas the previous gentleman from New York who spoke would raise the tariff by four times.

Certainly we cannot do everything in one piece of legislation.

I do not believe it is to the advantage of the United States, in its relations with South American countries, when we are trying to expand the Alliance for Progress program and trying to negotiate, perhaps, a new canal route through Panama, in the interest of saving \$1 million which apparently some Panama producers are going to get, to jeopardize our future negotiations with this small country concerning a very important item to the United States.

It is rather ridiculous that we should put quotas on immigration for Latin American countries at the same time we take off quotas on sugar. That just does not make sense.

Confronted with House Resolution 560, which we passed in this House a short time ago, I believe the South American countries and the Latin American countries could very easily get the idea that we are attempting to abort the Good Neighbor Policy, which we have expanded and nurtured over the past two or three decades, in the interest of a policy of discrimination.

There has been some talk about the balance of payments, but I do not believe we will find any gold loss occurring to South American countries. We all know the only problem on the balance of payments is loss of gold, and we know that the loss of gold does not flow to South America, but to Western Europe, which

does not participate in this program at all.

Now, as far as lobbyists are concerned, I think the gentleman from the Midwest who suggested that we cut off all foreign lobbyists first should keep in mind that if we keep the foreign lobbyists out of our country from trying to tell us how to sell their sugar, they will probably reciprocate by cutting off the corn and wheat merchants of the Midwest from going to their countries. With \$280 million in feed grain price support payments last year, and \$19 million in wheat price payments, it is certainly to our interest to expand this very critical foreign trade.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. LEGGETT. Yes, I yield to the gentleman.

Mr. FINDLEY. Is the gentleman under the impression that the U.S. Government has any representatives or agents which attempt to influence legislation in any of the parliaments of other countries?

Mr. LEGGETT. I would not be so naive as to think that does not happen. Certainly if it does not we should certainly get on the ball.

Mr. FINDLEY. I will tell the gentleman that the State Department Legal Office assured me there is no such activity and, if any such activity were undertaken, it would be a violation of article 47 of what I am informed is the Vienna Convention. They further tell me that the foreign governments are urged to channel all of their representation which they wish to make to the Congress through diplomatic channels.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. STRATTON].

Mr. STRATTON. Mr. Chairman, I rise in support of H.R. 11135, and against the two amendments made in order by the rule under which we are currently operating.

I rise with some trepidation to discuss this sugar legislation because, like all farm legislation, it is complex. Those who have not had any particular opportunity to understand some of the background out of which these pieces of farm legislation arise are often inclined to be readily attracted by one or two phrases or one or two slogans that can be directed against them. We are all indebted to the distinguished gentleman from Louisiana [Mr. WILLIS], and the distinguished gentlewoman from Washington [Mrs. MAY], for having put this sugar bill into some kind of understandable perspective by indicating the background out of which it has come.

I have been particularly concerned, Mr. Chairman, because there seems to be, at least, there was earlier in the day when we had more Members on the floor, an indication that some of those who have worked hardest during this session of Congress to pass the Great Society legislation, who have supported efforts to help our farmers, who have supported legislation to reduce unemployment, who have supported legislation to assist private enterprise in such fields as housing and rapid transit, somehow feel now that when it comes to the sugar bill there

is something rather immoral about trying to assist private enterprise, and something bad about trying to help individual farmers. They are going to give this bill the works, they say.

I would like to take just these few moments to try to give one particular case history as to how this kind of legislation can be just as effective as some of these other measures we have passed in meeting human needs.

I speak here, Mr. Chairman, as the representative of the greatest sugar-growing district in the State of New York. That may not be a very large production in terms of total output, or as compared with Colorado or California, but believe me it is important to all of us in the State of New York.

In fact, back after the 1962 Sugar Act was adopted you may recall that we provided some small quotas for new areas, to see whether such areas could not grow sugarbeets successfully. We in New York State, who are proud of what we already do in dairying and in wheat and in red beans and in grapes and in all of these other commodities that are now located in my rather extended rural district, have now added sugar to our list of crops. And I would like to remind this House that 3 years ago the entire New York State delegation appealed both to the Secretary of Agriculture and to the distinguished chairman of the committee, the gentleman from North Carolina [Mr. COOLEY] to see that the Cayuga County, N.Y., application was approved.

Our farmers were suffering. They were looking for a new crop. I am happy to report, Mr. Chairman, that we got that small allotment. And today there has been constructed a \$25 million plant in my district. The farmers are today beginning to bring in a crop which is expected to pay them some \$4 million in return. Some 20,000 acres have been planted in sugarbeets, and 1,000 farmers in upstate New York are participating in this program, in some 16 counties covering a half dozen congressional districts.

I might point out, too, that Cayuga County which 3 years ago was suffering heavily from unemployment, is now off the unemployment roll. Our new sugar plant has given a shot in the arm not only to my county and to my district but to the entire agricultural economy of upstate New York. This is one practical effect of this Sugar Act and one of the reasons why I want to see it continued, and one reason why Great Society members should support this bill.

Mr. Chairman, I have just two other points to make in commenting on the two amendments that will be in order. We are told that we ought to impose an import tax on foreign producers presumably because they are not supplying anything appropriate in return for the higher prices they get.

Well, frankly, Mr. Chairman, anybody familiar with farm legislation knows that we very frequently have found it wise and sound to pay a higher price for farm commodities in order to assure a stability in their supply. That is why we have a milk marketing order, for

example. That is why the price of milk to the dairy farmer is pegged at somewhat more than might otherwise be the case, simply because we want a stable supply and because we do not want to go back to the milk strikes of the 1930's. We do not want to see milk dumped in the ditches again and farmers taking after one another with sticks or something stronger in that kind of a cut-throat, unstable market, where you have feast one day and famine the next.

This bill has supplied that stability in sugar and that stability is something that redounds to the economic benefit of the sugarbeet farmers in my district, not just to foreign sugar growers; make no mistake about that.

Second, we have been told that we ought to ban foreign lobbyists and that we should pass an amendment to this bill that would get them out of the picture. Well, I have no particular interest in foreign lobbyists. None of them has been around to see me, either. But, as a matter of fact, we already have a law on the books which says that these lobbyists should register. The facts with regard to them are printed regularly in the CONGRESSIONAL RECORD.

If we want to look into the question of lobbying, then I think we ought to do it in connection with all lobbyists and not single out those in the field of sugar and sugarbeets in this particular bill.

Therefore, Mr. Chairman, I support this bill as reported from the committee because I believe that the important job it will do will be to continue the effective help that has already been given to the farmers and the small businessmen of my State and my district. It will give these producers their fair share of an expanding American consumption. It will mean more prosperity for them, more dollars in upstate New York farm pockets. Let us remember that, and not just vote on hasty slogans.

Mr. DAGUE. Mr. Chairman, I yield 1 minute to the gentleman from Iowa [Mr. GROSS].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, a few days ago the House passed a bill to provide for the disposal of abaca from the stockpiles of this country. Earlier this afternoon the gentleman from New York [Mr. STRATTON], said that foreigners had appeared before the House Armed Services Committee to testify in connection with that disposal. It is my understanding that abaca deteriorates. Further it is my understanding—I did not know it at that time—that the Filipinos were probably here testifying in behalf of legislation that would provide for the disposal of abaca from the huge stockpile that we have accumulated over a 20-year period. I now understand why the Filipinos were here testifying, so that they could stretch this out over a 20-year period.

I did not know that the Government of the United States yielded to foreigners in that respect.

In other words, we are going to wind up with deteriorated abaca and at the

end of 20 years it will be virtually worthless.

Mr. STRATTON. Mr. Chairman, will the gentleman from North Carolina yield me 1 minute to respond to the gentleman from Iowa?

Mr. COOLEY. Just go ahead and take it. I yield the gentleman 1 minute.

Mr. STRATTON. May I say to the gentleman from Iowa that the Committee on Armed Services did not yield to the Filipinos. The program that was in the original legislation was adopted by the committee. But because the sale of our abaca stockpile would have a very serious impact on the Philippine economy—

Mr. GROSS. Sure.

Mr. STRATTON. And because the Filipinos are friends of ours in the Far East at a very critical hour, as the gentleman knows, we wanted to be advised at the very least what the Philippine members of this industry thought about our plans to dispose of the stockpile. But our committee took its own action.

Mr. GROSS. And, so you followed their lead and stretched it out in dribbles over a 20-year period when a lot of this stuff will have deteriorated and be worthless.

Mr. STRATTON. I think the gentleman from Iowa is mistaken on that. The time period in the bill is only 10 years.

Mr. GROSS. I do not know about that.

Mr. DAGUE. Mr. Chairman, I yield to the gentleman from Illinois [Mr. FINDLEY] for the purpose of making a unanimous-consent request.

(Mr. FINDLEY asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. FINDLEY. Mr. Chairman, Venezuela with a \$50,000-a-year lobbyist got from the committee a quota more than 10 times as big as that recommended by the administration. At present prices, the 5-year premium value of the difference is nearly \$10 million.

Argentina which hired no lobbyist was cut to one-third—from 63,685 to 21,485. The 5-year premium value of the cut is over \$14 million. The Argentine Embassy's agricultural counselor, Gaston Valente told a reporter his country "thinks it is entitled to claim a quota without the government having to pay anyone."

Did Argentina's failure to hire a lobbyist contribute to the quota cut? I do not charge this was the case.

Did the lobbyist for Venezuela use undue influence to get the quota increased 10-fold? I do not charge that he did.

But I do recognize—and so must you—that the circumstances are so remarkable that suspicion and doubt are inevitable.

I do not charge wrongdoing, but I do charge poor judgment.

It was poor judgment for the Committee on Agriculture to open its doors to the foreign lobbyists for the Government of Venezuela. It was poor judgment for the Committee on Agriculture to set up its own private little State Department.

I know of no other committee of the House which receives direct testimony from the agents of foreign governments, certainly never on the scale permitted in the Committee on Agriculture.

This is a revenue bill and might properly have been referred to the Committee on Ways and Means. If it had been I predict that the foreign sugar lobby would have gone out of business at once. I am informed that the Ways and Means Committee never receives direct testimony from foreign governments or their agents. The Ways and Means Committee insists that information from a foreign government be channeled to the Congress through the State Department. This is as it should be.

Our Government does not employ agents to lobby the parliaments of other nations, to try to influence directly legislative proposals. U.S. representations are made through diplomatic channels. To try to lobby the British Parliament, for example, would violate article 41 of the Vienna Convention.

The blame for the foreign sugar lobby rests on the Committee on Agriculture. The lobby is in business because the committee permits it to be in business.

I do not shield myself from criticism. I should have dug into this long ago. I should have objected when lobbyists appeared before the committee. I should have moved that the committee bar them from the witness stand and committee offices. Whether these efforts would have been effective is another matter.

But tomorrow we have the opportunity to act, to clear out this unhealthy, unattractive, useless curiosity called the foreign sugar lobby. Thanks to the Rules Committee we have the opportunity to put this lobby out of business.

Foreign lobbyists have impact on foreign governments. They touch foreign policy intimately and bear just as directly on the formulation of the attitudes of these governments toward the United States as do the regular diplomatic representatives of these governments.

Foreign lobbying could be habit forming. If influence peddling works, or appears to work, in regard to juicy sugar quotas, why not foreign agent lobbying for foreign aid, Public Law 480 grants, grants for military assistance? Maybe this practice is already widespread.

Pakistan might decide to hire somebody to try to pressure Congress into reinstating an arms program.

Yugoslavia might try to push through legislation to give that country better access to the U.S. tobacco market.

One of the factors said to be used to set quotas is reliability. Argentina was cut to one-third despite its record of coming through in grand style in 1963-64 when the United States was eager for extra sugar. What happened to the reliability rule there?

Bolivia had no sugar production at all until very recently, but got a quota. Was reliability the standard for Bolivia?

Honduras has never exported any sugar, but got a quota this time. Was reliability the standard for Honduras?

Another factor given was trade with the United States.

Argentina, with a strong trade favorable to the United States was cut to one-third.

Venezuela, which sells to the United States almost twice as much as she was buying, got a tenfold increase. U.S.

trade with Venezuela is more unfavorable than with any other Western Hemisphere country.

Why was the balance-of-trade factor applied in reverse in regard to Venezuela and Argentina?

Mr. ROSTENKOWSKI. Mr. Chairman, I join my other colleagues supporting H.R. 11135.

Chicago and its environs are high-sugar consumption areas and it is important that adequate supplies of sugar be available at reasonable prices in these areas. The bill before us would accomplish this purpose.

The "global quota" and "import fee" concepts introduced in sugar legislation for the first time in 1962 as experiments have been eliminated in the bill before us, and their elimination should restore stability to the sugar market. The experiments, as we all know, proved disastrous.

The bill would also protect the employment of many workers in the Chicago area. Two cane sugar refiners, American Sugar Co., and SuCrest Corp., have installations in Chicago providing direct employment for hundreds of workers, with a large total annual payroll. Each year well over 1,000 barges and many railcars deliver nearly half a billion pounds of sugar to these plants, providing additional employment in the transportation industry.

The bill before us is a compromise, but I urge its passage as fair and equitable legislation. It will serve consumers well and will protect the livelihood of workers in Chicago's cane sugar industry and in many other fields.

Mrs. MINK. Mr. Chairman, I rise in strong support of H.R. 11135 and urge the Members of this House to give careful consideration to the debate which has been so clearly and carefully presented by the various proponents of this measure.

I am proud to associate myself with those who support H.R. 11135, and I urge that the bill, together with the amendments recommended by the Committee on Agriculture, be approved.

The United States has had a Sugar Act since 1934. The basic national sugar policy throughout this period can be stated briefly. It has been:

First. To assure an ample supply of sugar to American consumers at reasonable prices;

Second. To maintain a limited domestic sugar producing industry in a state of reasonable prosperity, and

Third. To secure our requirements of foreign raw sugar from friendly countries who will commit themselves to supply our needs at prices which, over the long run, are fair to both buyer and seller.

The Sugar Act has, with remarkably few exceptions, been a most successful instrument for realizing this policy. Under the Sugar Act our domestic producing areas have been sustained and permitted a reasonable growth; our needs of foreign sugar have been supplied at generally stable and reasonable prices, and the American consumer has been furnished, in abundant supply and at reasonable costs, the great variety of sugars which our market demands.

Further, all of this has been accomplished under an agricultural program which is not only self-supporting, but actually returns an annual profit to the U.S. Treasury. Each year the excise tax on the manufacture of sugar, an integral part of the program, collects approximately \$5 to \$15 million more than all payments and expenses under the Sugar Act.

It is fair to say of the Sugar Act: It works, and works well. And what more can be asked of any farm program?

A healthy sugar industry is essential to the economy of Hawaii. It is our major commodity; next to tourism our most important source of private sector income. Hawaii, to whom sugar is so very important, has followed the course of sugar legislation in this Congress with the greatest attention. It is most encouraging and reassuring to know that Hawaiian sugar, together with the rest of the domestic sugar industry, supports H.R. 11135.

Finally, I would like to explain briefly my reasons for opposing the floor amendment which will be offered and which would reintroduce into the Sugar Act the concept of an import fee on foreign sugar. An import fee was one of the new features written into the Sugar Act by the 1962 amendments. Briefly stated, it did not work. It did not raise the money it advocates promised, nor did it give us any protection against runaway world sugar prices. Instead, it tied us in a most dangerous manner to the thin and undependable world sugar market. It, together with the closely related global quota, deserves the major blame for the sugar difficulties of 1963.

The floor amendment would in major part put back into the act what our 1963 experience proved does not belong there. Further, restoration of an import fee would directly repudiate President Johnson's recent assurance to the OAS Ambassadors that the import fee would form no part of the administration program. The fee has been an irritant in our dealings with Latin America, it violates the sound policy of "Trade, not Aid," it does not belong in the act.

I urge that you join with me in voting down these amendments which will be offered, and then vote in favor of this measure.

Mr. COOLEY. Mr. Chairman, I have no further requests for time.

Mr. DAGUE. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. There being no further requests for time, under the rule, the bill is considered as having been read for amendment. No amendments are in order to the bill except amendments offered by direction of the Committee on Agriculture; an amendment to page 12, after line 14; and an amendment to page 21 to strike out lines 8 and 9 and insert language in lieu thereof; but such amendments shall not be subject to amendment.

The Clerk read as follows:

H.R. 11135

A bill to amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965."

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar.....	3,025,000
Mainland cane sugar.....	1,100,000
Hawaii.....	1,110,000
Puerto Rico.....	1,140,000
Virgin Islands.....	15,000
Total.....	6,390,000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For the calendar year 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines, Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland, and the Bahama Islands, among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere:

"Country	Per centum
Cuba.....	44.25
Mexico.....	8.41
Dominican Republic.....	8.41
Brazil.....	8.41
Peru.....	6.71
British West Indies.....	3.71
Ecuador.....	1.24
French West Indies.....	1.06
Colombia.....	1.06
Costa Rica.....	1.04
Nicaragua.....	.95
Guatemala.....	.81
Venezuela.....	.76
El Salvador.....	.75
Haiti.....	.71
Panama.....	.62
Argentina.....	.53
British Honduras.....	.49
Bolivia.....	.10
Honduras.....	.10

"(B) For countries outside the Western Hemisphere:

"Country	Per centum
Australia.....	4.00
Republic of China.....	1.66
India.....	1.60
South Africa.....	.73
Fiji.....	.60
Thailand.....	.49
Mauritius.....	.35
Swaziland.....	.15
Southern Rhodesia.....	.15
Malagasy Republic.....	.15

"(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of ten thousand short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: *Provided*, That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled."

(4) Subsections (d), (e), and (f) are hereby amended and subsection (g) is added to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

"(i) any quantity up to and including the amount of quota withheld from Cuba at a determination of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

"(ii) any quantity in excess of the amount of quota withheld from Cuba at a determination of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph 3 (A) of subsection (c) that are members of the Organization of American States on the basis of the percentages stated therein.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (3) (A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this

subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B): *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country other than Ireland for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equalled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced as follows:

"(a) the quota established under section 202(b), and the quotas established under sections 202(c) and 202(d) (1) for any country having a quota at the end of the preceding year of less than two hundred thousand short tons, raw value, shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of such quota for the preceding calendar year; and

"(b) the quota established under section 202(c) and section 202(d) (1) for any such country having a quota at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 130 per centum of such quota for the pre-

ceding calendar year: *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, (ii) the reduction in quota for any country having a quota established under section 202(c) and section 202(d) (1) at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be limited, if the quota for any such country on July 1 of the year in which such quota was not filled is less than 130 per centum of its quota for the preceding calendar year, to the larger of (A) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 125 per centum of the quotas for the preceding year or (B) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than such quota on July 1, and (iii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) (B) of this section, and, in the case of Cuba under subsection (d) (1) (A) of this section, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"Sec. 204. (a) The Secretary shall from time to time determine whether, in view of

the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c) (3) (A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries: *Provided*, That any deficit resulting from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: *And provided further*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c) (3) (B) or section 202(c) (4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (B) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (3) (B) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (B) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be deter-

mined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended, (1) by inserting after the third sentence thereof the following two new sentences: "The Secretary is also authorized in making such allotments of a quota for the mainland cane sugar area for any calendar year after 1966 to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need to establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation during each of the first two years of operation of a new sugarcane processing facility or mill that begins the production of sugar from sugarcane for the first time after the calendar year 1966. The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of a processor of sugarcane, other than a processor-refiner, who had a physical inventory of sugar on January 1, 1964, equal to 55 per centum or more of his 1963 crop production may be increased by an additional six thousand, two hundred short tons of sugar, raw value: *Provided*, further, That the total increases in marketing allotments made to processors in the domestic beet sugar and mainland cane sugar areas pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each such area for each calendar year"; and (2) by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorrations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, Belgium, and Panama may be filled by direct-consumption sugar to the extent of ten thousand short tons, raw value, for Ireland; one hundred and eighty-two short tons, raw value, for Belgium; and three thousand eight hundred and seventeen short tons, raw value, for Panama."

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar" and inserting in lieu

thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year"; and by adding a new subsection (f) as follows:

"(f) From importing into the continental United States from foreign countries any raw sugar within the applicable quota, or the proration of any such quota, unless the weight of such raw sugar has been determined after arrival into the continental United States and has been certified by a person who is primarily engaged in the weighing of commodities for others and who directly or indirectly neither buys or sells sugar nor is owned, controlled, or associated with a person that buys or sells sugar."

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b) (1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (3) of subsection (b) is amended by inserting "(A)" after the figure (3) and by adding at the end of paragraph (3) the following subparagraph (B):

"(B) In order to make available acreage for the growth and expansion of the mainland cane industry by a new sugarcane processing facility, the Secretary is authorized to reserve each crop year for three consecutive crop years an amount of acreage estimated to yield twenty-five thousand short tons of sugar, raw value, from the acreage which would be allocated to sugarcane producers in the mainland cane sugar area for each of three consecutive crop years beginning not earlier than the year immediately following the first calendar year after 1965 for which the Secretary's determination of

requirements of consumers pursuant to section 201 exceeds ten million four hundred thousand short tons, raw value: *Provided*, That the quantity allocated to the mainland cane sugar area for such calendar year pursuant to section 202(a)(2)(A) is not less than twenty-five thousand short tons of sugar, raw value. The acreage so reserved for each of the three consecutive crop years shall be distributed for each such crop year on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocation for establishing farm proportionate shares determined by him, on the condition that the sugarcane produced on such farms shall be delivered for each of such three consecutive crop years to the new processing facility in the locality to which reserve acreage is committed as hereafter provided. The Secretary shall commit the reserve acreage estimated by him to yield twenty-five thousand short tons of sugar, raw value, for each of the three consecutive crop years to the locality determined by him to receive the reserve, and such commitment of reserve shall be irrevocable upon issuance of the determination of such commitment by publication in the Federal Register; except that if the Secretary finds in any case that construction of the sugarcane processing facility has not proceeded in substantial accordance with the representations made to him as a basis for his determination of commitment of the reserve acreage, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In any State in the continental United States where there was no mill for commercially processing sugarcane into sugar in 1965, commitment of reserve acreage shall be made to the locality where sugarcane will be delivered from farms for the commercial recovery of sugar by a sugarcane processing facility or mill which begins operation for the first time. In determining commitment of the reserve acreage and if proposals are made to construct sugarcane processing facilities in two or more localities where sugarcane production is scheduled to commence in the same year or succeeding years, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarcane, the lack of proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualification of localities under such criteria. The commitment of reserve acreage shall be determined by the Secretary after investigation, the publication of notice and such informal public hearings, if any, as the Secretary deems appropriate under the prevailing circumstances."

(4) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(5) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than twenty-five thousand short tons of sugar, raw value, for each such crop to relieve hardship on the part of producers who planted sugarcane for the first time for harvest in the crop years 1964 and 1965 and in allocating such acreage the Secretary shall give consideration to the amount by which the acreage of sugarcane in 1965 exceeds the proportionate share for the 1965 crop: with first consideration in allocating such acreage to farms on which the 1965 crop proportionate share has been overplanted by more than 200 per centum in an amount sufficient to bring the proportionate shares of such farms up to the acreage growing: *Provided*, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965 crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph."

Sec. 11. (1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reestablished in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is amended to read as follows:

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or other-

wise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act."

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

Sec. 12. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

Sec. 13. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966.

The CHAIRMAN. The Clerk will report the first committee amendment as printed in the reported bill.

The Clerk read as follows:

On page 5, line 6, strike out the period and quotation marks and insert "with sugar produced in such country."

Mr. GROSS. Mr. Chairman, I make the point of order that a quorum is not present. If we are going to continue to consider the bill, let us have a quorum.

Mr. COOLEY. Mr. Chairman, has the Clerk read the first amendment?

The CHAIRMAN. The Clerk has completed the reading of the first amendment.

Mr. COOLEY. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore, Mr. Moss, having assumed the chair, Mr. COOLEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, had come to no resolution thereon.

GENERAL LEAVE TO EXTEND

Mr. COOLEY. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may extend their remarks on the bill H.R. 11135 and include extraneous matter, and tables.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

COLUMBUS DAY SHOULD BE A LEGAL HOLIDAY

(Mr. JOELSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JOELSON. Mr. Speaker, since today is October 12, I take this occasion to urge support of a joint resolution to designate Columbus Day as a national legal holiday. More than ever, it is important that our Nation give due honor to the great navigator who proved so inspiringly that science and faith are not incompatible but are indeed allies.

In this atomic and space age in which we live, it is important to be mindful of this fact, and I would urge prompt action to designate Columbus Day as a legal holiday.

A CONCERTED EFFORT TO PRESERVE OUR SHORES, WATERWAYS, AND WILDLIFE

(Mr. WOLFF asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WOLFF. Mr. Speaker, I am today introducing legislation to provide for a study to devise a master plan for the conservation and development of one of the most important links in our Intercoastal Waterway—Long Island Sound.

This study looks toward development of a comprehensive plan to preserve, develop, and make accessible for the public benefit, inspiration, and use, the scenic beauty and natural fish and wildlife values of the coastal areas bordering Long Island Sound in the States of New York, Connecticut, and Rhode Island.

In this region, as in many other areas of our Nation, water pollution, shoreline erosion, destruction of marine and waterfowl life, the ruin of wildlife-protecting wetlands, has reached alarming proportions. The indiscriminate building of piers and marinas, as well as uncoordinated dredging, all add up to one thing—the steady destruction of the natural physical values of this wonderful area.

Mr. Speaker, I believe that a coordinated effort on the part of all the government units bordering the Sound is the only way to arrest and reverse this unfortunate trend. I feel that all the governments involved, and certainly the citizens of the area, are firmly in favor of this effort. What has been lacking is coordination and cooperation, and I think the master plan that I am proposing today will provide these indispensable factors.

I would like to make it clear, however, that the plan I am proposing will not compromise the autonomy of any of the government units involved; rather, it provides through coordination what should be the objective of all—preservation of the physical integrity of our Long Island Sound area. I think this proposal of a regional master plan for conservation could be a pilot program of great value to other sections of the country in the constant war against destruction of our natural resources, and commend it to this House for consideration.

FEDERAL GOVERNMENT SHOULD MOBILIZE ALL OF ITS CAPABILITIES TO REDUCE AUTOMOBILE ACCIDENTS

(Mr. MACKAY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MACKAY. Mr. Speaker, Congress should designate the motor vehicle accident as public enemy No. 1 and should mobilize all of the capabilities of our Federal Government to reduce the staggering losses of life and property on our Nation's roads and highways.

We have spared nothing in our effort to achieve safety for air travelers and we have gotten results. Yet, less than 40 percent of our people have ever been in an airplane and less than 12 percent fly annually. And, the airplane is considered to be safer than the automobile.

By striking contrast there is no agency or program which has statutory authority to investigate car accidents, to research their cause and ways of prevention and to protect the 99 percent of our population which daily travels some part of our 750,000-mile Federal highway system.

We could reduce our losses by simply applying our present knowledge and through research we could make further reductions.

For example, a Federal vehicle safety testing center should be established. This would lead to the adoption of higher safety standards in driver training and testing, in highway and vehicle design, and in traffic control signals and signs. This could be done nationally for a fraction of what it would cost the States to do separately.

Vehicles should be certified for road safety before they reach the consumer.

There could be marked improvement in highway design and we could eliminate some of the death traps we know about.

The Federal Government could promote a more uniform traffic environment for drivers by fostering intergovernmental cooperation.

Data on highway accidents could be quickly improved through the adoption of a uniform reporting form.

Regional training programs for traffic officers could upgrade the investigation and reporting of traffic accidents.

Accelerated research as to the cause and prevention of accidents should be initiated. University centers of research and scholarships for individuals should be supported.

These are just a few of the positive steps which should be taken without further delay.

The jurisdiction and the responsibility of the Congress is clear. Motor vehicles are constantly engaged in interstate commerce and nothing is more destructive to the public health than the traffic accident.

Furthermore, there is a need for a national attack on this problem in cooperation with State and local government. There are obvious limitations on what any one State can do.

We have the power to act. We have the duty to act. And we can act effectively. Former Congressman Kenneth Roberts, of Alabama, fought for highway safety in the 82d through the 88th Congress. Senators RUBINOFF and NELSON have spoken out in this Congress.

That 47,000 were killed and 1,700,000 were injured last year should spur us to action. If statistics will not move us, then the memory of Representative Ashton Thompson, of Louisiana, who was killed this summer on our Interstate System should.

Every Member of the Congress should join in an effort to curb the heartache and the agony associated with the motor vehicle accident—our public enemy No. 1.

CHRISTOPHER COLUMBUS WAS A TRULY GREAT MAN

(Mr. McCARTHY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McCARTHY. Mr. Speaker, as every schoolboy knows, in 1492, Columbus sailed the ocean blue. Today is Columbus Day. And it was poor taste, to say the least, on the part of Yale University to announce Sunday that it has a map of dubious origin which purports to prove that Leif Erikson, a Norwegian, reached the New World before Columbus, an Italian.

I think Yale's point is superfluous. There are also indications that a Spaniard, Sanchez de Huelva, and the Irish missionary St. Brendan, touched the shores of North America in their pre-Columbian voyages.

The important historical fact is that Christopher Columbus' historic voyages sparked the colonization of the New World by the old.

And to downgrade Columbus is like downgrading Joe Di Maggio, Arturo Toscanini, Leonardo da Vinci, and Enrico Caruso.

Columbus was one of the truly great men of all history and all the maps in the world will never dim his fame.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Oct. 14, 1965
For actions of Oct. 13, 1965
89th-1st, No. 191

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HIGHLIGHTS: see page 4

HOUSE

1. SUGAR. Passed, 246-147, as reported H. R. 11135, the sugar bill. Rejected, 95-137, the Findley amendment to cancel quotas of countries that use agents. Rejected, 160-230, a motion by Rep. Harvey, Ind., to recommit the bill with instructions for an amendment to impose an import tax on sugar. pp. 25917-22, 25930-45
2. WATER CONSERVATION. Passed with amendment H. J. Res. 671, to authorize the President to proclaim November 1965 as Water Conservation Month. pp. 25945-6
3. AGRICULTURAL APPROPRIATION BILL. The conferees were given until midnight tonight (Oct. 14) to submit a report on this bill, H. R. 8370. p. 25946
4. SUPPLEMENTAL APPROPRIATION BILL, 1966. The Appropriations Committee reported this bill, H. R. 11588 (H. Rept. 1162)(p. 26000). Attached to this Digest is a table showing the budget estimates and House committee action on requests for

- this Department. The bill also includes appropriations for the Office of Economic Opportunity. The bill is to be considered today, Oct. 14 (p. D1020).
5. DISASTER RELIEF. The Public Works Committee reported without amendment H. R. 11539, to provide assistance to Fla., La., and Miss. for reconstruction of areas damaged by the recent hurricane (H. Rept. 1164). p. 26000
 6. RESEARCH; EDUCATION. Received a report from the Government Operations Committee on "Conflicts between the Federal research programs and the Nation's goals for higher education" (H. Rept. 1158). p. 26000
 7. SAFETY. Rep. Mackay asked for Federal leadership in all aspects of motor-vehicle safety. pp. 25951-2
 8. FOREIGN TRADE. Rep. Curtis discussed the outlook for fostering foreign trade and relating to the balance-of-payments program. pp. 25958-62
 9. FARM LABOR. Rep. Cleveland inserted an article criticizing the Labor Department's placement program as it relates to N. H. apples. pp. 25963-5
 10. PUBLIC WORKS APPROPRIATION BILL. Received the conference report on this bill, H. R. 9220 (H. Rept. 1163). pp. 25991-9
 11. REPORTS. The Government Operations Committee voted to report (but did not actually report) S. 2150 (amended), to discontinue or modify certain reporting requirements of law. p. D1021
 12. STATION TRANSFERS. The Government Operations Committee voted to report (but did not actually report) H. R. 10607 (amended), to provide for reimbursement of certain moving expenses of employees, and to authorize payment of expenses for storage of household goods and personal effects of employees assigned to isolated duty stations within the continental U. S. p. D1021
 13. PURCHASING. The Government Operations Committee voted to report (but did not actually report) S. 1004 (amended), to make title III of the Federal Property and Administrative Services Act applicable to procurement of property and non-personal services by executive agencies. p. D1021
 14. COUNTERPART FUNDS. The Government Operations Committee ordered favorably reported a report, "Use of counterpart funds by the Foreign Agricultural Service." p. D1021

SENATE

15. APPROPRIATIONS. Both Houses passed without amendment H. J. Res. 695, making continuing appropriations for fiscal year 1966 (pp. 25906, 25922-23). Sen. Hayden stated that the resolution "extends from October 15 to Saturday, October 23, existing provisions of law, providing funds for the operation of the agencies of Government for which the regular appropriation bills for fiscal year 1966 have not yet been enacted" (p. 25906). This measure will now be sent to the President.
16. COPYRIGHTS. Passed without amendment H. R. 2853, to increase the fees payable to the Copyright Office so as to produce a more appropriate ratio between receipts and expenditures of the Office. This bill will now be sent to the President. pp. 25864-65

House of Representatives

WEDNESDAY, OCTOBER 13, 1965

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., prefaced his prayer with this verse of Scripture: Psalm 121: 2: *My help cometh from the Lord, who made heaven and earth.*

Most merciful and gracious God, we are always coming unto Thee with a great variety of needs and desires which Thou alone canst satisfy and which we know will never exceed Thy patience.

Grant that we may be one in spirit with all who are striving faithfully and courageously to make some contribution to the higher good of humanity.

May the day be brought nearer when men and nations everywhere shall be members of the kingdom of peace and brotherhood.

In all our efforts may we not become discouraged and allow our faith in Thy sustaining grace to become eclipsed by doubt and despair.

Help us to feel confident that with the aid of Thy presence no task will be too arduous, no responsibility too exacting, and no burden too heavy.

In Christ's name we pray. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Geisler, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills and joint resolutions of the House of the following titles:

On October 5, 1965:

H.R. 4603. An act for the relief of Lt. (jg) Harold Edward Henning, U.S. Navy;

H.R. 5842. An act to amend the Lead-Zinc Small Producers Stabilization Act of October 3, 1961; and

H.R. 7090. An act for the relief of certain individuals.

On October 7, 1965:

H.R. 7969. An act to correct certain errors in the tariff schedules of the United States, and for other purposes.

On October 9, 1965:

H.R. 2091. An act relating to the establishment of concession policies in the areas administered by National Park Service, and for other purposes;

H.R. 2358. An act for the relief of Tony Boone;

H.R. 2772. An act for the relief of Ksenija Popovic;

H.R. 4750. An act to provide an extension of the interest equalization tax, and for other purposes;

H.R. 8035. An act to authorize the Secretary of the Interior to accept a donation of property in the county of Suffolk, State of New York, known as the William Floyd

Estate, for addition to the Fire Island National Seashore, and for other purposes;

H.R. 8283. An act to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act of 1964;

H.R. 9417. An act to revise the boundary of Jewel Cave National Monument in the State of South Dakota, and for other purposes;

H.R. 10516. An act authorizing the disposal of vegetable tannin extracts from the national stockpile;

H.R. 10714. An act to authorize the disposal of colemanite from the supplemental stockpile;

H.R. 10715. An act to authorize the disposal of chemical grade chromite from the supplemental stockpile;

H.R. 10748. An act to authorize the transfer of copper from the national stockpile to the Bureau of the Mint;

H.J. Res. 309. Joint resolution to amend the joint resolution of March 25, 1953, to increase the number of electric typewriters which may be furnished to Members by the Clerk of the House; and

H.J. Res. 330. Joint resolution to authorize the disposal of chromium metal, acid-grade fluorspar, and silicon carbide from the supplemental stockpile.

On October 10, 1965:

H.R. 728. An act to amend section 510 of the Merchant Marine Act, 1936; and

H.R. 1274. An act for the relief of Mrs. Michiko Miyazaki Williams.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9811) entitled "An act to maintain farm income, to stabilize prices, and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs, and promote foreign trade, to afford greater economic opportunity in rural areas, and for other purposes."

The message also announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 597. An act to amend the Public Health Service Act to provide for a program of grants to assist in meeting the need for adequate health science library services and facilities.

NINTH ANNUAL REPORT ON THE TRADE AGREEMENTS PROGRAM—

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 305)

The SPEAKER laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, referred to the Committee on Ways and Means and ordered to be printed, with illustrations:

To the Congress of the United States:

This is the ninth annual report on the trade agreements program, as required by section 402(a) of the Trade Expansion Act of 1962.

In 1964, U.S. and free world trade continued to set fresh records.

U.S. exports reached a new high of \$25.6 billion, \$6.9 billion more than our imports.

U.S. farm exports rose to \$6.4 billion, an alltime peak.

Free world exports reached a record of \$152 billion.

The major trading nations agreed to take further steps under General Agreement on Tariffs and Trade to assist exports from developing countries.

The policy of two-way trade expansion and liberalization, initiated with the Trade Agreements Act of 1934 and continued by every administration since that time, has brought great benefits to this country. In general, U.S. goods have enjoyed progressively easier access to foreign markets. Low-cost, high-quality U.S. exports, sold and used in every corner of the world, have provided immediate evidence of the vitality of our free enterprise system. Our processors have gained ready access to essential raw materials, and have profited from the stimulus of keener competition. Consumers have enjoyed the wide range of choice which the world market provides.

But we have only begun. We must build on past success to achieve greater well-being for America, and for all the world's peoples. In particular, we must make every effort to assure the success of the current Geneva negotiations, known as the Kennedy round.

In this International Cooperation Year of 1965, all nations should pledge themselves to work together for the steady expansion of commerce. Continuing its steady course begun in 1934, the United States will do its part in achieving that goal.

LYNDON B. JOHNSON.

THE WHITE HOUSE, October 13, 1965.

SUGAR ACT AMENDMENTS

(Mr. MATTHEWS asked and was given permission to address the House for 1 minute and to revise and extend his remarks and to include a table.)

Mr. MATTHEWS. Mr. Speaker, I rise in support of the pending sugar legislation and I want to congratulate the members of the House Committee on Agriculture on their successful efforts in bringing this legislation to the House.

Mr. Speaker, I have no interest in sugar legislation other than as one Member of Congress who desires to see the best type of legislation passed to protect our consumers and at the same

time to permit our sugar industry in America to continue. This industry provides livelihood for thousands of people in production, processing and transportation processes. The consumer and industrial users have a stake in this legislation, because they need to be assured of a stable sugar supply at reasonable prices.

There is no sugarcane or sugarbeet production for the refining mills, in the district of Florida that I represent so I believe that I can look at this matter objectively.

The gentleman from Illinois [Mr. FINDLEY], has suggested two amendments to the pending legislation. In the one instance, he would prohibit the American lobbyists who represent the foreign sugar interests from continuing their representation. Now let me say that if the gentleman from Illinois were interested in having an investigation made of all the American nationals who represent foreign interests, I would concur with him. In fact, we have a foreign agents registration law that perhaps needs to be studied. Amendments might well be passed to this law, but why should we pick out one group of lobbyists and not subject all lobbyists who represent foreign nations from being put out of business?

It has been said that the very fact that so many of the lobbyists who represent foreign nationals in sugar legislation receive large sums of money, and the very fact that this discussion has an unsavory flavor, indicates that there is something unhealthy and improper about the activities of lobbyists for foreign sugar interests, as they might influence Congressmen. Let me say that after serving on the Committee on Agriculture for 10 years, I have never seen any evidence of unwholesome activity on the part of the lobbyists for the sugar industry of foreign countries.

Mr. Speaker, we can either plan sugar quotas through the supervision of the Committee on Agriculture or we can turn this responsibility over to the Department of State, to the Department of Agriculture and to other officials in the executive branch. I, for one, believe that it is better for the Congress to set these quotas, rather than to have them established by "striped pants diplomacy." I do not mean to be unduly critical of Government agencies, but I believe that Congress has no alternative. It must go through all the tortuous procedure, under the constant glare of publicity, of permitting interested people to come before the committee to present their case for sugar quotas. Then, as the Committee on Agriculture has done, by a formula which I think is fair, again under no veil of secrecy, come to the conclusion, as they did. I believe that in order to be fair to our own interests, it is absolutely necessary for the Committee on Agriculture, as they have done, to try to consider, in establishing sugar quotas, nations that are friendly to us, nations that will trade with us to the utmost of their capabilities, and other criteria that I believe are very fair. The fact that lobbyists representing foreign interests, and the fact that many other

Americans, come before the Committee on Agriculture is, in my opinion, no reason for anyone to suspect that there is anything unsavory that is happening. Let me repeat again, it is all open and above board. So, insofar as our attitude toward American nationals who represent foreign interests is concerned, let us go all the way. If there is anything wrong in this procedure, let us amend the foreign agents registration law to the extent that it should be amended. I, for one, would be enthusiastically a supporter of a thorough evaluation of this law, and I am sure that the Committee on the Judiciary will be amenable to a careful review of this law.

Insofar as the imposition of an import tax on the sugar that comes to us from foreign nations, let me say that, in my opinion, this would have no effect whatsoever on the prices that the consumer pays here in the United States. I think such a tax would also be a slap in the face to friendly nations who are trying to be self-supporting now by trade rather than by handouts from our taxpayers. I would like to explore in detail, Mr. Speaker, if I may, the so-called world market and domestic sugar prices.

Comparisons are sometimes drawn between the price paid by domestic cane refiners for raw sugar, as quoted in New York or New Orleans, and the price for raw sugar on the so-called world market. It is implied that the world market provides some kind of worldwide price standard, and that any price higher than the world price is too high. It is also implied that everybody else in the world pays only the so-called world market price—and that only the United States pays more. The impression is left that American consumers pay more for sugar than anybody else in the world.

Such statements and implications are erroneous and unfair. Persons who make them are either, first, ignorant of the true facts about sugar markets; or, second, deliberately trying to deceive the Congress and the American public.

The facts are these:

ABOUT THE SO-CALLED WORLD MARKET

Sugar is one of the most regulated commodities in the world, everywhere in the world. Producing countries all have some kind of internal arrangements concerning production and marketing—ranging from special taxes, production subsidies, and the like, to export subsidies and Government trading corporations. Importing countries, most of them, have some kind of special arrangements with exporters to assure supplies. All these national systems affect price.

For example, there is the British Commonwealth system, under which a price is negotiated annually with producers in the Commonwealth countries for specified quantities of sugar sold in the United Kingdom. And there is the French system, with special price and quota arrangements between Metropolitan France and the nations of the French community. The Portuguese have still another system. The nations of the Communist bloc have special arrangements, some on a barter basis, for the movement of sugar among the nations of the bloc.

In addition, there are many special bilateral arrangements and deals between importers and exporters.

As a result of all these special systems and special arrangements, only a very small part of total world sugar consumption moves in international trade without restrictions of some kind. Usually only 10 to 15 percent of all the world's sugar is traded on the so-called world market. This is sugar that is homeless, that is not covered by any of the special arrangements. It is sugar that is seeking a market. Since it is a small and thin market it is extremely sensitive to changes in the world supply and demand situation. Usually there is more sugar than there is a demand for, the so-called world market is depressed. World market prices are often below the actual cost of production—which is the situation today. Producers that sell at these depressed prices can do so only because they also sell in one or more of the protected markets, where the price is higher.

ABOUT U.S. CONSUMER PRICES

A fair way to gage the reasonableness of prices paid for sugar by U.S. consumers is to compare the prices actually paid by consumers here and consumers in other individual nations around the world. Every such study in recent years has shown that U.S. consumers pay less per pound than the average of prices paid by consumers in other leading countries of the world.

For example, on January 1 of this year, retail sugar prices in a score of nations around the world averaged out to 12.2 cents a pound, while the American housewife paid only 11.6 cents a pound.

Some of the prices in other countries: Italy, 16 cents a pound; Sweden, 15; West Germany, 14.2; The Netherlands, 14; Belgium, 13.9; China, 13.4; France, 12.6; Switzerland, 11.2; the United Kingdom, 11.1; Australia, 10.2 cents a pound.

If you measure sugar prices by the amount of work-time a laborer puts in on his job in order to earn enough money to buy a pound of sugar, you find that sugar prices in the United States are the lowest in the world. This has been shown repeatedly in studies made both by the United Nations and by the National Industrial Conference Board.

Prices, import fee, and costs of production [All data in cents per pound]

Price on October 5 of raw sugar duty paid, delivered to New York	6.85
Deductions for duty (0.625) and ocean freight	1.00

Approximate price f.o.b. for foreign sellers	5.85
F.o.b. world market price on October 5	2.20
Difference on October 5 between United States and world market prices	3.65
Recapture fee under Congressman FINDLEY's proposal (75 percent of 3.65)	2.74
Returns for foreign sellers in U.S. market after Findley fee	3.11
Recapture fee under previous recommendation of industry and government	1.00
Return to foreign sellers in U.S. market after industry-government fee proposal (50 percent with 1 cent maximum)	4.85

Data recently compiled by the Foreign Agriculture Service of USDA, by the Legislative Reference Service of the Library of Congress and information received from diplomatic sources indicate current or recent-year costs of production (in terms of U.S. cents per pound) in several foreign countries supplying the U.S. market to be as follows:

India..... 8.0
Dominican Republic..... 6.0 to 7.0

Brazil..... 5.3 to 5.5
Mexico..... 4.9 to 5.5
South Africa..... 5.3
British West Indies..... 4.9
Guatemala..... 4.6
El Salvador..... 4.5
Peru..... 3.9
Australia..... 3.5
Ecuador..... 2.6

Retail price of sugar for selected countries, Jan. 1, 1961-65

[U.S. cents per pound]

	1961	1962	1963	1964	1965
United States.....	11.9	11.6	11.8	14.1	11.6
Above United States in 1965:					
Hungary.....	20.2	20.2	20.2	20.2	120.2
Pakistan.....	17.0	14.1	15.3	17.1	18.0
Italy.....	15.4	15.0	14.9	15.6	16.0
Sweden.....	12.6	12.2	13.7	20.2	15.0
Poland.....	13.5	13.5	13.5	14.6	14.6
Japan.....	18.7	18.4	18.7	22.0	14.2
West Germany.....	12.9	14.0	13.9	14.1	14.0
Netherlands.....	11.7	12.2	13.7	13.9	14.0
Belgium.....	13.0	14.1	12.7	12.5	13.9
China.....	9.1	10.0	12.3	13.4	13.4
Yugoslavia.....	25.4	25.4	25.4	25.4	13.3
France.....	10.5	11.8	12.3	12.6	12.6
Same as United States in 1965: India.....	10.5	10.0	10.2	11.6	11.6
Lower than United States in 1965:					
Switzerland.....	9.1	8.6	8.8	12.7	11.2
United Kingdom.....	9.3	10.0	10.0	11.1	11.1
Australia.....	9.3	9.3	10.3	10.3	10.2
Canada.....	9.6	9.0	10.3	17.9	8.8
South Africa.....	6.4	6.5	7.0	7.0	7.0
Brazil.....	4.5	5.0	5.0	6.1	6.1
Peru.....	2.8	3.7	3.7	5.1	5.8
Mexico.....	5.5	5.6	5.6	5.6	5.6
Simple average (including United States).....	11.8	11.8	12.2	13.8	12.2

1 1965 figures not available; assumed here to be same as in 1964.

So, Mr. Speaker, I say again, that I am opposed to the two amendments suggested by the gentleman from Illinois [Mr. FINDLEY]. I am in favor of the sugar legislation as reported by the House Committee on Agriculture and I want to congratulate the members of that committee, who represent both of our political parties, because of the statesmanlike approach they have used in this matter. When you evaluate the character of the members of that committee, I am sure you will agree with me that their action has not been subjected to any unsavory approaches on the part of lobbyists, but rather, they have acted according to the dictates of their consciences on the basis of what they sincerely think is best for our country and for the friendly nations to whom we permit sugar quotas.

(Mr. GATHINGS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GATHINGS. Mr. Speaker, I concur wholeheartedly in the remarks of my colleague and friend from the State of Florida [Mr. MATTHEWS]. For many years I have supported the sugar legislation. I have done it consistently. That legislation is based on the theory that the Congress itself sets these quotas. That system has worked well, exceedingly well. This program has done three things which are most essential to the well-being of the consuming public. No. 1, the program has increased the amount of sugar, beet and cane that our own farmers can grow in this country. No. 2, it has set quotas in such a way as to assure our friends in this hemisphere and throughout the world that we are giving them a part of our

sugar business to meet the Nation's sugar requirements. Most importantly it has provided a very ample supply of sugar at reasonable prices for our housewives and industrial needs. I do hope that the House will not turn topsy-turvy this program which has worked so well and will vote down the motion to recommit this bill and then pass the legislation.

(Mr. ROGERS of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROGERS of Florida. Mr. Speaker, I rise to urge the House to enact sugar legislation today.

The Sugar Act has operated successfully for over 30 years. It has provided a stable market for the consumer. It has served the national security by maintaining a supply of sugar for the country to use in time of emergency, that supply being provided mainly by producers located within the confines of the continental United States.

This legislation allots U.S. producers 65 percent of the American market. That remaining portion which is allotted to foreign nations would provide some measure of assistance to the economies of friendly allies. I am sure that the Membership would agree that it is far better for the United States to trade with a friendly foreign nation than to call upon the taxpayers to simply give outright aid, and particularly so in the case of Latin American nations.

To pursue a policy of trade rather than aid strengthens the principle of preserving respect between nations, as well as allowing the United States to obtain something in return—a factor which is absent from so many existing foreign aid programs.

I urge that new sugar legislation be enacted to guarantee a continuing stable market of this commodity.

Mr. HERLONG. Mr. Speaker, will the gentleman yield?

Mr. ROGERS of Florida. I yield to the gentleman.

Mr. HERLONG. Mr. Speaker, I would like to associate myself with the remarks of the gentleman from Florida and say I agree with him 100 percent.

Mr. ROGERS of Florida. I thank the gentleman.

FINDLEY AMENDMENTS TO THE SUGAR BILL

(Mr. HALL asked and was given permission to address the House for 1 minute to revise and extend his remarks and to include extraneous matter.)

Mr. HALL. Mr. Speaker, I intend to vote for the Findley amendments today and against the sugar bill. I resent the gag rule and limitation on debate.

The choice before this House on a legislative issue has never been clearer:

It is a choice between all the "sugar daddies," downtown, or the American housewife back home. It is a choice between the "smoke filled-sugar filled rooms," or the clean air of the open marketplace.

Have we sunk so low in our obedience to the administration, that we are willing to accept a bill, which every Member knows—whether he admits it or not—is part of the system that feeds upon pay-offs, influence, and every other vice which, deservedly or not, have cast a shadow over the integrity of Congress?

I would be the first to say that the Nation's press is never always right but I also would be the first to admit that when 99 percent of the Nation's editors who have seen fit to comment upon this legislation come up with a common finding: that it reeks not from the "sweet smell of sugar" but from the "rank odor of payola," then we had better pay some heed, as true representatives.

If this bill with all its imperfections is the best we can accomplish, then surely the argument for the prerogatives of the legislative branch is a sham, and we do not deserve to be called an independent body. I do not see how any Member on this side of the aisle can support this bill in the face of its overwhelming lack of support by the American public, and I daresay that in taking such a position we will find lots of company from the other side as well.

Mr. Speaker, I hope to place in the Record today a list of all money contributed by sugar lobbyists and their agents to Members of Congress. I hope the bill will be defeated.

The House of Representatives has taken up a proposed 5-year extension of the Sugar Act, which will impose an additional burden on consumers of at least \$700 million a year. One Congressman, on the House's Agriculture Committee, the gentleman from Illinois, Representative PAUL FINDLEY, has referred to this proposal as "profiteering on a grand scale." Because this legislation is such a "sugary plum" for foreign governments lucky enough to get a piece, lobbying has developed to an extraordinary

level. The fees for the "services rendered"—which consist primarily of peddling influence by getting juicy quotas for countries they represent—range from \$3,000 a year to \$50,000 a year. A list of these lobbyists and the fees they draw was published in the CONGRESSIONAL RECORD of August 24, 1965.

Public money—and only public money—is involved. The lobbyists have one clear objective: to satisfy their "sweet tooth" by getting as much of the "sugar pie" as possible. In effect, their fees are covered by the American taxpayers and consumers, because the sugar program—which is completely under the control of the Secretary of Agriculture—makes possible the sugary premium prices for foreign countries lucky enough to get quotas. There is no other legislation which has called forth as witnesses such an impressive string of lobbyists representing foreign governments. For that matter, private attorneys representing foreign governments are unknown as witnesses before the Foreign Affairs Committee, which sets the guidelines for foreign aid programs. Imagine how ridiculous it would be for every foreign aid recipient to have an agent here in Washington lobbying to get its share of the foreign aid pie. Yet that is how our sugar program operates and how the administration proposes it continues to operate for another 5 years.

Of all the schemes to rig markets and control production—and we have them in embarrassing abundance—this one should qualify as the prototype for complexity, extent of government power, and absence of competitive conditions. It makes the Secretary of Agriculture the absolute czar of sugar. Not one pound can move legally without his blessing. Whether the Sugar Act produces the stable prices its supporters claim is open to question. If the American housewife were confronted with the choice between Canada-priced sugar—currently about 8 cents a pound on the grocery shelf—and U.S. priced sugar—about 11 cents a pound—she would quickly identify the Canadian item as reasonable and the U.S. item as not. But, as a practical matter, she has no choice. Currently, the world price of raw sugar is about \$2 a hundredweight. The comparable U.S. price is about \$5.50. The inflated U.S. price is achieved and maintained through "supply control" in charge of the Secretary of Agriculture. By controlling all marketings and imports, he forces prices to the desired artificial level, and keeps them there. The Congress specifies what countries will share in the foreign quotas, and how big a piece each will get. In practice, the Congress has no opportunity to change the decisions of the House Agriculture Committee, because the bill is not open for amendments when it comes to the floor.

There are several alternatives to the present system, which literally invites corruption. The most-needed improvement is reduction of the bill's "foreign aid" component. A quota premium worth more than the world market price of raw sugar is nonsense. One approach would be to increase the sugar tariff from

its present level of 62 cents to \$2. This alone would transfer over \$100 million of the foreign aid gravy to the U.S. Treasury.

The Federal Trade Commission and other agencies, which are intended to protect the public interest, are powerless to act because the profiteering is not only sanctioned under the present program, but promoted and carried out by the Government itself. A revision of the present Sugar Act might raise the ire of the lobbyists, but it most surely would be welcomed by the American housewife.

ANNOUNCEMENT

(Mr. GILLIGAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GILLIGAN. Mr. Speaker, I was unavoidably absent on Thursday, October 7, and Friday, October 8. Had I been present I would have voted "aye" on S. 2084, and "aye" on the conference report on H.R. 9811.

SUGAR LEGISLATION

(Mr. TEAGUE of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TEAGUE of California. Mr. Speaker, I take emphatic disagreement with and exception to the statements made by the gentleman from Missouri [Mr. HALL]. I was a member of a special subcommittee consisting of four Republicans and four Democrats which worked for many days to come up with recommendations to the Committee on Agriculture involving the suggested division of foreign import quotas. Certainly it was not a smoke-filled room or a sugar-filled room in any way. There were no lobbyists present. Personally, I refused to see any foreign lobbyists at any time, with the exception of some men who came all the way from South Africa.

This bill was worked out objectively and fairly for good and sufficient reasons, and I should like to ask my colleagues to vote favorably on the sugar legislation before us today.

A GOOD SUGAR BILL

(Mr. CEDERBERG asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CEDERBERG. Mr. Speaker, I rise in support of the sugar legislation that is before us today. In spite of all the oratory that has been offered us, if you want to do something for the housewife of this country to keep the price of sugar stable, then you had better vote to continue this Sugar Act. Also, if you have a concern for a great industry in this country, both the farmers who produce sugarbeets and sugarcane as well as the processors who employ thousands of people as well as invest a great deal of money in this country, then you should support this sugar bill.

I have heard a great deal about lobbyists, and so forth. I know nothing about

the situation on the foreign side, but as far as I am concerned, I know many representatives of beetgrowers in this country, some from my own district, as well as processors, and I consider them honorable men who are concerned about producing a good product for the citizens of this country, at a fair consumer price, and at a fair profit to the farmer and processors. I cannot find anything un-American about that at all.

As far as I am concerned, I am just as much interested in the consumer and the housewife as anyone else in the Congress. If you want to take a good, hard look at what has happened to sugar prices throughout the world and even in our own country, when the Sugar Act was not functioning as it should, then you will find that you have got to have a Sugar Act in order to maintain a stable price. We have had stable sugar prices in this country for many years fundamentally because we have a Sugar Act.

SUGAR ACT AMENDMENTS OF 1965

(Mr. COOLEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. COOLEY. Mr. Speaker, pretty soon we will be back in the Committee of the Whole House on the State of the Union for the further consideration of the sugar bill.

Mr. Speaker, vicious and irresponsible speeches have been made in the well of this House concerning this legislation.

Mr. Speaker, a lot of irresponsible statements have been made in the press which are prompted either by malice or stupidity.

Mr. Speaker, these people who have been addressing the House, and one of them this morning, are trying to shake the faith of the country in the Congress of this Nation, and in the integrity of the Members of this House who for 30 long years have approved this very program of country-by-country quotas, and it has always been approved under a closed rule.

Mr. Speaker, when some of these newcomers, who have not taken the time to even read the bill or to read the report and who know nothing on earth about what is in the bill or is contemplated, come out here with these tirades against the Committee on Agriculture, I do not have to defend the integrity of the members of the Committee on Agriculture. All of them are well known to you. But I do defend this program. It is not a farm program merely because it comes from the Committee on Agriculture. Maybe it should have been with the Committee on Ways and Means years ago. But it is not. It is in our committee and we submit it to you without apology and I urge the House to adopt it and to defeat all pending amendments.

SUGAR ACT AMENDMENTS OF 1965

(Mr. JONES of Missouri asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JONES of Missouri. Mr. Speaker and Members of the House, I am going to vote for the sugar bill. I think it is unfortunate though that the rule that we got on this bill provided for 4 hours of general debate and then limits the debate to 10 minutes on the two amendments that the Rules Committee permitted to be offered to this bill.

Mr. Speaker, unfortunately, during the general debate yesterday most of the time there were less than 100 people on the floor and sometimes as few as 50 to listen to remarks by people who knew what they were talking about. Among those I would say that the speech given by our colleague, the gentleman from Louisiana [Mr. WILLIS], was one of the best, and those who missed that should take time to read it before the vote on this bill today.

The next thing I want to say with regard to the allocation to foreign countries, I guess every member of our committee would have probably written a different allocation. But, after all, we had to get a bill out and I think the committee has done a much better job than the State Department could have done. I, for one, will never submit to giving this back to the State Department, because I think the people on the Agriculture Committee have far better judgment to allocate those quotas than the State Department.

SUGAR ACT AMENDMENTS OF 1965

(Mr. RONCALIO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RONCALIO. Mr. Speaker, it is with some reluctance as a member of the "89th Club" that I rise, but I must do so to take exception to the observations made earlier by the eminent gentleman from Missouri [Mr. HALL] for whose opinions and guidance I have expressed a high regard on other matters. But when the gentleman refers to "payoffs" or "payoff money," I say to my eminent colleague that I am offended by so rash a charge, and cannot go along with him.

Mr. Speaker, I support this legislation because I believe it is the best legislation possible for the housewives of America and for the people of America. I have seen no "foreign" agents or anyone else with the slightest talk of "payoffs." I have seen no "sugar daddies." The gentleman says that every Member of the House knows that there are "payoffs." I take exception and I resent these statements very, very much.

Mr. Speaker, as most Members know, I am not one of the favorites of the President of the United States among my colleagues of this House. But I will yield to no one in tribute and service to my President in his great leadership in protecting America, and in helping South American nations to better the lot of their people and to defend themselves from Communist aggression. This bill deals with this delicate matter, too.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. RONCALIO. I, of course, am de-

lighted to yield to the committee chairman, the gentleman from North Carolina.

Mr. COOLEY. The gentleman who just delivered that tirade [Mr. HALL] did not come before the Committee on Agriculture and never showed any interest in this pending bill until it was brought to the floor of the House.

Mr. RONCALIO. I am sure the gentleman made no personal inference or meant to do so. I respect him sincerely.

(Mr. GARMATZ asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GARMATZ. Mr. Speaker, it is most important to the well-being and future of the port of Baltimore that H.R. 11135 be passed here today with the Agriculture Committee amendments. Baltimore has a vital stake in sugar legislation. Passage of this bill will assure the continuity of raw sugar supplies to the domestic cane sugar refiners and provide orderliness and stability to the U.S. sugar market for the 6 years of the law. American consumers will enjoy the benefits of secure supplies and stable, reasonable prices.

Sugar is important to the port of Baltimore. Among the commodities imported through this great port, raw sugar ranks seventh in tonnage. As many as 50 ships carrying over 500,000 tons of raw sugar move into the port in 1 year's time.

We have in Baltimore one of the Nation's largest and most modern cane sugar refineries—the plant of the American Sugar Co., located on the Patapsco River in the city of Baltimore. This plant provides direct employment for nearly 800 individuals and has an annual payroll in excess of \$4,500,000.

Other segments of Baltimore's economy benefit from the import and refining of raw cane sugar. Additional thousands of workers are employed in allied industries which service, supply, and ship for this great cane sugar refinery. For example, each year almost 1¼ billion pounds of sugar products move out of American Sugar's plant by truck and rail, providing many man-hours of employment to transportation workers.

I want to stress that H.R. 11135 has the full support of the entire domestic sugar industry, including the cane sugar refiners. The measure establishes a fair division of the quotas between domestic and foreign suppliers and between cane and beet sources. Mainland producers will receive increases in their marketing allotments which will enable them to dispose of the surplus inventories in an orderly manner. An increasing proportion of our foreign supplies will be obtained from Latin American countries. All in all, the prescribed quota division and retention of price incentives for foreign suppliers to fill their quotas and to maintain additional supplies in reserve will serve the interests of all American consumers. This measure, which will run through 1971, will assure consumers of an adequate supply of sugar at reasonable prices.

I wish to add my voice to that of my colleagues who also are supporting the bill.

The amendment, however, which would restore a confiscatory import fee should be defeated. We must retain a proper incentive for foreign countries to supply us with sugar.

(Mr. POAGE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POAGE. Mr. Speaker, I feel that we have probably had altogether too much politics and personal condemnation on this question. I have no intention of condemning anyone, but I feel very strongly that the discussion so far has resulted in considering too much political expediency in connection with this sugar bill rather than getting to a discussion of the basic facts.

As the gentleman from Louisiana [Mr. WILLIS] so ably pointed out yesterday, the people of the United States need a sugar bill. We need a program to maintain and stabilize prices in the United States. We need a sugar bill to maintain the sugar producing industry in the United States. Right now, if some new legislation is not passed there will be a half million tons of domestically produced sugar which cannot be legally sold.

We need a sugar bill to protect our consumers in the United States. Without a sugar program sugar prices will fluctuate wildly. With a sugar program the United States has enjoyed three decades of stable sugar prices—and American consumers have bought their sugar for less than the consumers of most developed countries.

We need a sugar program to sustain our refining industry along the seaboard of both coasts of the United States. Sugar refining is of vital importance to every community in which a refinery is located.

The United States of America needs this sugar bill. Without it we are going to have chaos, and everybody knows that. Without a bill domestic producers will be burdened with stock they will not be able to sell. Without a bill, consumers will be forced to pay as much as consumers in Canada and other countries.

If you adopt some of the politically attractive amendments you might as well vote against the bill itself. This bill is based on the premise that it is in our interest to pay a premium price for at least a part of our overseas sugar supply. We pay this price in order to secure stability of price. I think this decision is sound. The proposed tax takes away the very consideration on which this bill is based. You might as well vote against the bill as to vote for such an amendment.

Do not think you can succeed in covering up the real purpose with an amendment offered by the opposition to this bill. The best politics in the world, is do the thing that is good for your country, and the sugar bill is good for America. I urge you to vote for it—and to do so without any killing amendments.

(Mr. PELLY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PELLY. Mr. Speaker, yesterday, during general debate on H.R. 11135, the Sugar Act Amendments of 1965, I pointed up in a short colloquy with my colleague from Washington State [Mrs. MAY] that the sugarbeet growers in our State would suffer if this 5-year bill is not passed. Because of the importance to the economy of our State of obtaining an increase in allotments for our beet sugar farmers, I intend to support the bill as against the existing program which expires on December 31, 1966.

However, Mr. Speaker, let me make it clear I shall do so only because the alternative, as I understand, will be to continue the existing Sugar Act. The fact is, I do not advocate either of these programs. My choice here is that the new proposal is better by far for our State's beet sugar industry.

But, on the other hand, I firmly intend to support the Findley amendment, to bar from the privileged list of foreign countries permitted to sell sugar to our lush American market any foreign producers who hire Washington lobbyists. Also, I intend to support the second Findley amendment, to impose a Federal tax on imported sugar, in order to recapture part of the premium prices in excess of world prices which the United States pays for its sugar under the law.

As to the influence of the lobbyists in the case of sugar, I think it is obvious that there is something sordid and wrong. Argentina, for example, was asked to have a Washington lobbyist. She refused to do so; whereupon the 63,000 tons allocated by the Johnson administration's bill as Argentina's annual quota was cut to 21,500 tons.

Venezuela, on the other hand, paying a lobbyist \$50,000 annually for 2½ years, had her recommended quota of 2,676 tons annually increased to 30,809 tons. This increase in quota, it is estimated, will be worth more than \$9 million over the 5-year life of this new bill.

Nine countries with lobbyists are having quotas given them for the first time.

This sort of business has all the earmarks of influence peddling—if not worse—and I intend to vote for the amendment to stop it.

As to the validity of the arguments in favor of any legislation which is proposed to assure our country an adequate supply of sugar—and at a stable price—I have serious doubts as to whether any law is needed. Certainly, I do not approve of having the American housewife underwrite the subsidy for foreign governments, from whom we obtain 40 percent of our supply.

Therefore, Mr. Speaker, as previously indicated, the tariff amendment to recapture part of the profits on imports from foreigners will likewise have my support.

Meanwhile, the old technique of ramrodding sugar legislation through Congress in the final days of the session has my continued disapproval. The grabbag system of quotas, based on huge fees to lobbyists, could well be investigated by a

special bipartisan independent committee, assisted by personnel from the FBI.

CONTINUING APPROPRIATIONS

Mr. MAHON. Mr. Speaker, pursuant to the unanimous consent order of Monday, October 11, I call up the joint resolution (H.J. Res. 695) making continuing appropriations for the fiscal year 1966, and for other purposes, and ask unanimous consent that the joint resolution be considered in the House as in Committee of the Whole.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. MAHON]?

There was no objection.

The Clerk read the resolution, as follows:

H.J. Res. 695

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the joint resolution of September 30, 1965 (Public Law 89-221), is hereby amended by striking out "October 15, 1965" and inserting in lieu thereof "October 23, 1965".

The SPEAKER. The Chair recognizes the gentleman from Texas [Mr. MAHON].

Mr. MAHON. Mr. Speaker, I move to strike out the last word.

Mr. Speaker, this resolution would continue the availability of funds for certain programs through Saturday of next week, October 23. We hope that by that time the Congress will have adjourned and that still another continuing resolution will not be necessary. The Committee on Appropriations this morning approved this resolution and I trust the House will unanimously adopt it and that we can get along with the business that must be done before Congress adjourns.

With respect to appropriations, there is a meeting scheduled for this afternoon of the conferees on the agriculture appropriation bill and also a meeting of the conferees on the public works appropriation bill. I confidently expect that agreement will be reached and that these two annual appropriation bills will be approved by early next week. Then there will be nothing else pending on appropriations except the supplemental appropriation bill which was reported by the committee this morning and which is scheduled to be considered by the House tomorrow.

So, Mr. Speaker, I trust the pending resolution will be agreed to.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Michigan.

Mr. GERALD R. FORD. As I understand, the original proposal was to have this continuing resolution apply until the last day of this month; is that correct?

Mr. MAHON. Someone may have proposed that, but I never proposed it and I would never support it. I think it is much better to have the resolution extend to October 23, next Saturday a week.

Mr. GERALD R. FORD. I wholeheartedly agree with the personal decli-

sion of the distinguished chairman of the Committee on Appropriations. I know the gentleman knows that I, and I am sure many others, would have vigorously opposed, and would have been successful I think in defeating a continuing resolution that would have gone past October 23.

Mr. MAHON. Let me say that I have favored the extension to the 23d and I know the distinguished Speaker and the distinguished majority leader favor the extension to October 23. No other date was suggested to me.

Mr. GERALD R. FORD. Does this indicate to the distinguished chairman of the Committee on Appropriations that as far as the Committee on Appropriations is concerned, October 23 is the deadline for any continuing resolution regardless of what happens in the House and in the Senate regardless adjournment sine dine?

Mr. MAHON. It is our hope that this can be accomplished and so far as we now know, it will be accomplished. But, of course, we cannot foresee what may develop. But I confidently believe that an additional continuing resolution will not be required.

Mr. GERALD R. FORD. Would the gentleman from Texas recommend a date beyond October 23 if by chance the Congress did not adjourn sine die by that time?

Mr. MAHON. I believe that we can complete our work by October 23 and I would not want to recommend or suggest anything at this time as to anything beyond that date. I believe we can finish our work so far as appropriations are concerned. Some of these matters have been in controversy a long time between this body and the other body. What happens depends on the ultimate decision on these matters. Of course, we have the supplemental appropriation bill which is due to come up for consideration tomorrow and must go to the other body. But, of course, I cannot foresee what may develop.

Mr. GERALD R. FORD. But the gentleman has no doubt that the two appropriation bills that he has mentioned will be completed by the Congress by the 23d of October?

Mr. MAHON. I have no doubt in my own mind that they will be approved prior to October 23.

Mr. GERALD R. FORD. What is the gentleman's forecast as to the supplemental appropriation bill?

Mr. MAHON. I would feel that the supplemental appropriation bill will be approved early next week—by mid next week in the other body. At least I would hope so.

Mr. GERALD R. FORD. I thank the distinguished chairman of the Committee on Appropriations.

Mr. BOW. Mr. Speaker, I move to strike out the last word and rise in opposition to the pending resolution.

Mr. Speaker, this is the fifth continuing resolution we have considered. At the time the third continuing resolution was offered, I advised the House that I would oppose any further resolutions.

The last resolution came in setting a date of October 15. At that time I said

patrons at Amarillo Air Force Base and in the area surrounding the base.

The school district definitely will operate Highland Park School for several more years under conditions of heavy Federal impact, and we hope for many more years. However, present law is written in such a way that the announcement of curtailment of Federal activity is tantamount to the end of the requirement for impacted area assistance. The purpose of section 3 in H.R. 9022, adding new language to Public Law 815, is to correct this inequity. With this correction in the law, the Potter County Consolidated Common School District No. 3 and several other school districts in the country will be able to meet the obligations of Federal impact with the same degree of Federal assistance they had every reason to expect and on which their construction planning was based.

The Public Law 815 application submitted by School Superintendent H. A. Wallace for Potter County Consolidated Common School District No. 3 requested assistance totaling \$35,226. Because the present law precludes assistance in providing permanent facilities to schools due to suffer loss of enrollment from the closing of Federal installations, the Potter County district was not able to receive this amount. Instead it had the option of accepting two temporary classroom trailers, to which title would have remained with the Commissioner of Education, or to accept the equivalent amount in cash as an increment toward construction of facilities to be financed in part by the local school district. Potter County chose to accept the latter option, receiving \$21,000 from the Federal Government and adding its own funds to construct a \$40,925 addition to the Highland Park School consisting of two classrooms and allied facilities.

I commend our colleagues' attention to the merit of section 3 in H.R. 9022, permitting the Potter County school district and others to receive assistance to the extent of their eligibility before Secretary McNamara's announcement.

Enactment of this legislation, restoring some \$14,226 in Public Law 815 eligibility for the Potter County district, will enable the Federal Government to keep faith with the local taxpayers who have maintained and developed a first-class school system serving assigned military patrons as well as the permanent civilian population.

Mr. BURTON of Utah. Mr. Speaker, it is appropriate at this time, while the House is again considering H.R. 9022, a bill for construction and operation of public elementary and secondary schools in areas affected by a major disaster, that I bring to the attention of Members of this body the unusual and unfortunate situation which exists in one of the school districts in my State. This particular district—Box Elder County in Utah—is truly the victim of a "major disaster," but the nature of it is such that relief under H.R. 9022, as presently written, is not possible. I therefore have introduced H.R. 10776, which is now pending before the Judiciary Committee, for the purpose of granting relief to the Box Elder County School District. Be-

cause of the unusual and pressing circumstances of this particular case, however, and its relation to the subject matter of the bill now before us for consideration, I would like to place in the RECORD at this point extracts from the brief prepared by the Box Elder County School District so that the Members of the House may be informed of the difficult and perplexing problems faced by this particular school district in my State:

BRIEF OF THE BOX ELDER COUNTY SCHOOL DISTRICT

From the inception of the law, the Box Elder County School District has been found eligible for assistance under Public Law 874. Until the school year 1959-60, this entitlement came primarily from eligible pupils whose parents were employed at Hill Air Force Base and Utah General Depot in Ogden and Intermountain School in Brigham City.

During the 1959-60 school year, Thiokol Chemical Corp. was declared federally connected to the extent that the Box Elder County School District could count pupils whose parents were employed there for 874 entitlement; however, a comingle percentage of 10 percent was to be applied to the number of pupils. This meant that of the 825 pupils whose parents were employed at Thiokol, the school district could count 82.5.

Since this time the Box Elder County School District has been eligible for funds from Public Law 874 through Thiokol Chemical Corp. The comingle percentage, however, has been applied each year and has gone from a low of 9 percent in 1960-61 to a high of 16.7 percent in 1962-63. Because of the application of the comingle percentage factor, the percentage of entitlement from this source has not been too great, even though the problems which Thiokol brought to the county were almost overwhelming.

By the use of temporary portable buildings, by going into double sessions in some of the schools, by overcrowding available buildings, and by building and bonding to the limit of its ability, the Box Elder County Board of Education was able to house the rapidly growing school population.

At the end of the 1963-64 school year the last contracts were signed to provide buildings for the enlarged school population brought in by Thiokol Chemical Corp.

When school began in the fall of 1964 the district was faced with another even more perplexing problem, the school population was now dropping as rapidly as it had been rising in the past, and new frustrating problems arose in the form of too many employees for the number of pupils; empty classrooms, which were not yet paid for; budget deficits from funds paid on an average daily attendance basis and other numerous problems related to this situation. On top of all this the district received notice from the U.S. Department of Health, Education, and Welfare that it would be necessary to repay to the Federal Government as an overpayment under Public Law 874, \$288,819.29 received from Thiokol Chemical Corp. in privilege taxes. This amount represents the revenue received from a 4.5 mill levy in the district and approximately 10 percent of the annual operation and maintenance budget.

This privilege tax issue has been a problem to Box Elder County for years and only after two court hearings and considerable deliberation, was the decision made in the spring of 1964 that such taxes are constitutional.

The Box Elder County Board of Education is deeply concerned over this matter and although the citizens of the area are, and will be forever, grateful for the aid received under Public Law 874 over the past few years, they do protest the deduction of such funds from Public Law 874 entitlement.

1. Thiokol Chemical Corp. is a private industrial firm which utilizes some Federal property and is, therefore, subject to the privilege tax. This tax, however, is not upon the Federal Government but upon the company. Decisions handed down from the courts have consistently emphasized this fact. Thiokol Chemical Corp. is not regarded as an instrumentality of the Federal Government but as an independent contractor. The Government specifies an end product but does not interfere in the method or manner in which the company produces such product. In other words, the Federal Government simply contracts with the company and pays for the services under the terms of the contract. Thiokol pays the taxes from the profits of its business or uses the contract for figuring overhead. This, of course, is common business procedure and the fact that the Government is a second party, as the case may be, should not alter the fact that a private company is doing a private business and paying taxes from its profits. It is difficult to see that the taxes are being paid by the Federal Government and thus should be counted as an offset against other Government obligations for support of education. If, under this premise, the Government can claim an offset it would seem that likewise a private individual could claim relief from taxes for payment of goods and services he has received through similar contracts.

2. Privilege taxes paid by Thiokol Chemical Corp. to the Box Elder County are divided proportionately among local agencies including, Brigham City and Tremonton, other agencies of the county exclusive of schools and the State of Utah.

Each of the other agencies listed receive, or have received, aid from the Federal Government for operation of their services and to our knowledge there is no other case where the privilege tax is applied as a deduction against their entitlement. From our point of view it would seem that a deduction of this tax from school entitlement for Federal aid is discriminatory and should be corrected.

3. Thiokol Chemical Corp., as has been mentioned earlier, is not the only agency from which the Box Elder County School District receives entitlement for Public Law 874 funds. Other agencies in the area contribute greatly to the district's entitlement.

The portion of 874 entitlement due the Box Elder County School District is becoming less and less as the Thiokol privilege tax becomes greater. It is obvious that as employment drops at Thiokol the amount of entitlement becomes less while the tax becomes greater.

If the Thiokol owned research and development area is isolated from the Air Force plant, and this research area, it appears, is where most of the privilege tax problem originates, an even gloomier picture appears. Here, we already have deducted 85 to 90 percent of the pupils who are connected to the operation because their parents are employed there, which in itself should offset claims by the Federal Government that privilege taxes should constitute a deduction from 874 funds. When this is done the percentage of entitlement is far less than the percentage of entitlement deducted by the privilege tax.

In this light, it is apparent that money due the Box Elder County Board of Education through pupil connection to other Federal agencies will now be refunded to the government because of taxes paid by Thiokol Chemical Corp. It appears to us that if the Government can work the law in this manner it is subject to manipulation and the Federal Government, by controlling contracts and location of plants in certain areas, can divest itself of responsibility.

4. The purpose of Public Law 874 is to give aid to school districts in areas where

activities of the Federal Government place undue hardships on school systems. Since 1956 the Box Elder County School District has felt the impact of the Thiokol Chemical Corp. operation.

Employment at Thiokol mushroomed to a high of 6,100 in the 1961-62 school year and now the trend is just opposite.

During the interim between 1956 and 1962 the Box Elder County School District was greatly concerned with the school population which followed very closely the same trend as Thiokol employment.

With the school population growing so rapidly, the board of education was faced with a housing problem which is only now beginning to come under control.

The Box Elder County Board of Education has done all within its power to meet the challenge of the Thiokol influx through bonding. The money for which the district bonded was used to provide housing for pupils moving into the area, primarily because of the Thiokol operation.

To show the extent of the building operation, the district had adequate housing for 5,786 pupils in the 1959-60 school year, by 1962 there was housing for 7,553, by the beginning of 1965-66 school year our facilities will accommodate 10,485 pupils.

To provide this much new housing has been a terrific strain on the school district and now an even more perplexing problem makes itself evident. The district now has the buildings and the debts to accompany them but now the school population is not sufficient to fill them and since a large percentage of the district's money is paid by the State on an average daily attendance basis, the aid from this source is diminishing. To further complicate the matter the county assessor has estimated that the assessed valuation for the county will be approximately \$2 million less this year.

Obviously the board of education is concerned when asked to refund \$288,819.29 in privilege taxes, by deducting it from present and future 874 entitlement. If Public Law 874 were designed to give aid to districts in meeting problems such as those listed above it would seem very illogical that after the crisis is met the Federal Government could make such a request.

Again, the Box Elder County Board of Education expresses appreciation for moneys received under Public Law 874, for without them the district could not provide an adequate educational program for pupils in the county, and encourage a continuation of the law, however, it cannot accept, at this time, a ruling which requires it to deduct money due the district through Public Law 874 because of taxes paid by a private industry for private gain.

For the aforementioned reasons; namely:

1. The apparent inconsistency of a law which would allow the Federal Government to withhold Federal funds because of taxes paid by a private individual.

2. The discriminatory nature of a law which provides that one local governmental body should deduct tax moneys from Federal aid entitlement while others sharing the same tax remain exempt from such deductions.

3. The manipulative nature of a law which would allow the Federal Government to divest itself of all responsibility to the people through controlling contracts and location of plants in certain areas.

4. The illogical nature of a law which would exempt the Federal Government of its legal responsibility to an agency because of taxes paid to that agency by a private corporation.

The Box Elder County Board of Education requests that consideration be given this matter with the intent of declaring that the portion of Public Law 874 which makes such provisions possible be declared not in keeping with the original intent of the law and that

the law be either reinterpreted or, if necessary, amended to prohibit the above-mentioned practice, and that the \$288,819.29 debt now claimed by the U.S. Department of Health, Education, and Welfare be set aside.

The SPEAKER. The question is on the motion offered by the gentleman from Kentucky [Mr. PERKINS].

The motion was agreed to.

MOTION OFFERED BY MR. PERKINS

Mr. PERKINS. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. PERKINS moves that the House concur in Senate amendment No. 12.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the several motions was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. PERKINS. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their remarks on this legislation.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

PENDING SUGAR LEGISLATION

(Mr. DOLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DOLE. Mr. Speaker, there has been considerable controversy about the pending sugar legislation and I wanted to speculate what might be in the motion to recommit and point out that it will not be based on any political considerations.

The present Sugar Act provides that the allocation of the Cuban reserve and the allocation of our deficits special consideration shall be given to those countries who buy our surplus commodities. I would point out this language is not in the bill we are now considering in the House. I trust the motion to recommit will have an amendment which was offered in the committee and defeated on a very close vote of 16 to 14. It is only practical that we allocate our deficits so as to give preference to those countries who buy our surpluses, whether it be wheat or cotton or tobacco, or anything else. Also I trust the motion to recommit may contain a provision that would preclude quotas to any country which either ships to or trades with or permits its ships to be used in trade with North Vietnam and certain other countries.

We should not give any country a bonus, when that country trades with our enemy.

CALL OF THE HOUSE

Mr. ASHBROOK. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 365]

Anderson, Tenn.	Flood	Powell
Andrews, George W.	Frelinghuysen	Quie
Andrews, Glenn	Fulton, Tenn.	Rivers, S.C.
Baring	Green, Oreg.	Roberts
Bingham	Griffiths	Saylor
Bonner	Hardy	Skubitz
Brock	Hays	Smith, Calif.
Callan	Hébert	Smith, N.Y.
Clausen, Don H.	Holifield	Springer
Clawson, Del	Hosmer	Thomas
Culver	Lindsay	Thompson, Tex.
Diggs	Long, La.	Toll
Evans, Colo.	Long, Md.	White, Idaho
	McClary	Wolf
	McEwen	Wyatt
	O'Hara, Ill.	Young
	Patman	

The SPEAKER pro tempore (Mr. MADSEN). On this rollcall 382 Members answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CORRECTION OF ROLLCALL

Mr. ADAMS. Mr. Speaker, on rollcall No. 362, on October 12, a quorum call, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

COMMITTEE ON PUBLIC WORKS

Mr. JONES of Alabama. Mr. Speaker, I ask unanimous consent that the Committee on Public Works may have until midnight to file a report on H.R. 11539.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

SUGAR ACT AMENDMENTS

(Mr. O'NEILL of Massachusetts asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. O'NEILL of Massachusetts. Mr. Speaker, I understand that under the parliamentary procedure those of us who are interested in the sugar bill will not be allowed to speak today because only 10 minutes will be allotted to each side.

Mr. Speaker, I wish to record my support of H.R. 11135 as reported by the Committee on Agriculture. I believe it will bring stability to the sugar economy of this country and that its provisions represent an equitable solution to the very complex problems that vexed the entire domestic sugar industry throughout the last session of Congress. Furthermore, and equally important, I believe the bill when enacted will give the consumers of the Nation adequate supplies of sugar at reasonable and stable prices—at the same time promoting the foreign trade of the United States. Foreign trade is of vital importance to the port area of Boston and to the great State of Massachusetts.

The Revere Sugar Refinery and the American Sugar Co. each have a refinery in the Boston metropolitan area. In 1964, they brought over 400,000 tons of raw sugar through the port of Boston. More than 70 ships entered and departed from the port because of these refineries. Both companies have assured me that the bill before us will insure the continuation of this commerce and hence will insure continuation of the refinery and waterfront jobs such commerce generates.

The raw sugar imported into Boston is valued at over \$50 million per year and generates an estimated \$25 million more in business in the area.

The two refineries provide direct employment for more than 1,000 workers and maintain an annual payroll of approximately \$7,500,000.

I said earlier that this bill, and the stability to our sugar economy it promotes, will stimulate our foreign trade. Let me elaborate on that point.

Foreign trade is a two-way street. Foreign nations cannot buy from us, if they cannot sell to us. A few figures from a study made 2 years ago will illustrate the point.

In 1961, Latin American sugar producing countries, alone, purchased some \$75 million worth of Massachusetts products. These exports of machinery, instruments, electrical equipment and other goods produced in my State provided an estimated 9,000 jobs and \$53 million in factory wages and farm income. Thus, the refining industry benefits every part of the State of Massachusetts. It is understandable, therefore, why I have a vital and continuing interest in sugar legislation. I want to be sure that the consumers of my State, and the industry in it, get a fair shake.

Members will recall that last year the various groups, which make up the domestic sugar industry, were at loggerheads. Legislation was stimulated, which, if enacted, would have taken 750,000 tons of sugar quota annually from the cane refining industry, for transfer to the beet industry. These proposals died aborning because those of us with refineries in our States, and large consuming populations, resisted them with all the vigor at our command. Not only were such bills against the best interest of our States but against the national interest.

This year the House Agriculture Committee urged the domestic sugar industry to exercise restraint and statesmanship—urged the industry to consult with the executive departments to develop common and joint legislative recommendations to the Congress. This was done. In consequence, the domestic provisions of the bill before us today are supported by the administration and by all groups within the domestic sugar industry.

In my judgment H.R. 11135 represents an equitable solution to the very complicated problems which confronted its authors. The quotas it provides for the beet and mainland cane areas will permit those producers to dispose of their surpluses in an orderly manner, without putting any refineries out of business, which last year's proposals would have done. It is true that in the first few

years of the new act—assuming this bill becomes law—the refiners of the country are giving up substantial tonnage to the beet area; however, as national sugar consumption increases, due to the annual growth in population, there will be a yearly increase of about 50,000 tons in their level of operations. Thus, by the end of the period, covered by the bill, the annual output of the refiners will be back to approximately the same ratio, when compared with the beets as they have under the present 1962 act. But I emphasize again, that I am assured no refinery will be shut down because of this bill. The jobs in our refineries, on our waterfronts—longshoremen, warehousemen, truckers, jobbers—and in our exporting industries are protected to the extent they rely on raw sugar imports for their business; and the consumer is protected.

Again I say, this is a good bill and I hope my colleagues will join me in voting for it—just as I hope they will join me in voting against the import fee amendment proposed by the gentleman from Illinois. I speak briefly to that amendment.

First, the sponsor's basic assumptions are extremely misleading. The gentleman from Illinois calculates the difference between the United States and world prices at \$3.50 per hundredweight or \$70 per ton. He then multiplies this figure by the approximately 4 million tons of sugar we obtain from foreign sources annually to come up with a yearly "quota premium" of \$280 million. Then he multiplies his yearly figure of \$280 million by 5 years and concludes that the so-called quota premium will amount to \$1.4 billion.

These calculations are pure speculation to say the least. The gentleman operates on the false assumption that the world price of sugar, and hence the difference between that price and the U.S. price, will remain static throughout the life of a new Sugar Act. This assumption flies in the face of the very nature and entire history of the so-called world sugar market.

The world market is a very thin market. Less than 10 percent of the world's production is sold in it. That market, therefore, is subject to wild and wide fluctuations. In July 1962, for example, sugar was selling in the world market for about \$2.50 per hundredweight. Seven months later the price had exceeded \$6 per hundred and 10 months later the price hit \$12.60—over 5 times the price which prevailed when the 1962 act passed the Congress.

Proponents of the import fee were claiming, in 1962, that the fee would raise \$180 million per year for the U.S. Treasury. They, in 1962, like my friend from Illinois now, were basing their calculations on a false premise; namely, that the world price would remain static. They completely misjudged market trends. The import fee during the 2½ years it was in effect raised, not \$180 million per year, but only \$38 million—for the entire 2½-year period—and the experimental fee combined with the experimental global quota cost U.S. consumers over \$400 million in higher sugar prices.

The \$400 million figure cited is derived as follows: On page 9 of the hearings on the sugar bill the Department of Agriculture's witness stated:

During the period from February 1963 to June 1964 the price of raw sugar, duty paid at New York, averaged 8 cents per pound. It was 1½ cents per pound above the usual price in the United States.

During the February 1963 to June 1964 period approximately 14 million tons of sugar was sold in the United States. The Department's own figures show that, during this period, the average price was 1½ cents per pound above the normal price. That converts to \$30 per ton above the normal price and \$30 per ton times 14 million tons produces a figure of \$420 million.

The gentleman from Illinois is as wrong on his calculations today as his forerunners were in 1962. For this reason alone his proposal should be voted down.

In addition, however, the President of the United States himself eliminated the fee from the administration's proposal. Adoption of this amendment would be in direct conflict with the assurances he gave the Latin American Ambassadors on August 17 when he told them, and I quote:

I will propose today that Congress eliminate the special import fee on sugar, so the full price of sugar will get to Latin American producers.

I restate my hope that you will join me in voting against the import fee amendment and for H.R. 11135.

SUGAR ACT AMENDMENTS

(Mr. KIRWAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KIRWAN. Mr. Speaker, this is the second time in 29 years that finds me down here in the well on a bill that does not concern my district or the committee of which I am a member. I am down here today because I understand there is a man representing a friendly country—one of the real friends we have in South America and Latin America—Venezuela. He is representing them because they did not receive a proper quota in previous years. This same man was the assistant chief counsel for Harry Truman on the Truman Investigating Committee charged with the oversight of the spending of billions of dollars in World War II. When he got in the act profiteers stopped stealing. That is how good he is. His able work helped skyrocket Harry Truman ultimately into the Presidency of the United States, where he subsequently made a good and great President.

We are here today in regard to this sugar legislation. If I understand anything about this bill, the Congress of the United States has charge of all foreign commerce in this area, but in these proposed amendments we are asking the chairman of this committee and the Congress, if they will take the advice of the Department of Agriculture. The chairman of the committee has said in effect, "I am down here to pass this bill for the

Congress and for the people." We, the people, are the boss and not the President, the Senators, or the Congressmen. If this act does not turn out all right, then the people will come into it, because they properly have control. They are the boss. However, when you put the power in the hands of some agency downtown with people who never run for public office you exclude the people from being a party to the legislation and from expressing their views. That is why I am asking you here today to follow the leadership and vote for this sugar bill.

SUGAR ACT AMENDMENTS

(Mr. SISK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SISK. Mr. Speaker, of course, we are coming to the close of the consideration of the Sugar Act extension. There has been a lot of discussion and controversy and accusations and so on. In the final analysis, though, the American housewife and the American consumer have enjoyed a stable supply of sugar at a stable price under this act. I want to commend the members of the Committee on Agriculture for the great job that they have done here. I think a lot of the criticism and a lot of the charges and the material printed in the press are wholly unwarranted. These criticisms are just totally unjustified. I hope today this House will pass this act and indicate our faith and confidence in our colleagues on that committee who, in my opinion, have done a good job. I do not agree with everything in it, but after all, all legislation is a result of compromise. In my opinion, in the long run, this legislation is in the best interests of our country.

PENDING SUGAR LEGISLATION

(Mr. ASPINALL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ASPINALL. Mr. Speaker, I support H.R. 11135. I do so, at this time, as the Member of this body who represents a district which has more sugarbeet production than any other congressional district in the United States. I have closely observed the economic welfare of this industry throughout my life. For the past 17 years I have actively participated in the legislative efforts to improve, strengthen and extend the Sugar Act of 1948. The bill before us represents a major step in our continuing effort to bring stability to the domestic sugar industry—a stability that is vital to the producers, the processors, and the consumer.

I wish to recognize and commend the domestic sugar industry on two points, Mr. Speaker. First, we must not forget the response of that industry when this Nation asked for and received a rapid expansion in production to meet anticipated shortages during the early part of this decade. However, with a number of factors coming into play, the anticipated shortages evolved into a threatening surplus. We are told that

mountain climbers find the descent from the summit much more arduous and dangerous than the ascent. So it was with the imperative cutback that faced the domestic sugar industry. The climb to the pinnacle of domestic sugar production was not nearly so precipitous as the trip down.

The second point of recognition that I make, Mr. Speaker, is that this economically disrupting task was faced realistically and the often-divided domestic industry reached a position of agreement. In the words of Mr. Frank Kemp, the spokesman for the domestic sugar industry, this represents "something of a miracle in legislative history." The lack of unanimity within the domestic sugar industry has long made the task of legislation one of our more difficult periodic chores. I am sure, Mr. Speaker, that my colleagues will join with me in hailing the unified position that is presented to us in this legislation that is before the House today.

The provisions of this bill, as proposed by the committee, carried out over the 5-year extension that is proposed, will pave the way for a return from the surplus market—for which the producers did not ask—to a more normal situation in which all segments of the industry may move forward toward a stable economic future that can expand with the needs of the Nation.

PENDING SUGAR LEGISLATION

(Mr. CALLAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CALLAN. Mr. Speaker, we are considering complicated legislation today, but I think it can be reduced to very simple terms.

First, the sugar program has been successful. The domestic consumers under this program can be assured adequate supplies at reasonable prices.

Second, domestic producers in the United States must have this program because right now there are 1 million tons of sugar in surplus and without orderly marketing this can mean economic chaos to the whole industry.

Third, with reference to lobbyists, I am a member of the Committee on Agriculture and I have not seen a lobbyist except at our committee hearings. I have talked to members of the committee who have not been contacted by any lobbyists. The only time we have been contacted by representatives of foreign sugar interests is during the hearings.

In regard to foreign allotments, there were four members of the Republican Party and four members of the Democratic Party who made the recommendations to our committee. These members are men and women of the highest integrity. We took their recommendations, with some minor changes. The foreign allocations in this legislation were developed by this method.

Fourth, in regard to the import fees I believe an import fee has some merit. However the proposed amendment for import fees is unreasonable. The fee would amount to 1½ times

the present world price of sugar or 50 percent of the price of raw sugar in the United States. The imposition of this fee would have grave international complications and I urge its rejection. The present sugar bill is for 5 years and the farm bill we just passed is for 4 years. Our committee will have an opportunity to study and improve both pieces of legislation. I urge the passage of H.R. 11135 without amendments.

THE PENDING SUGAR LEGISLATION

(Mr. HANNA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HANNA. Mr. Speaker, I should like to use this minute to ask the chairman of the committee a question, if I may.

Mr. Chairman, I note that the bill contains provisions for reallocation of deficits. On page 8, line 8 of the bill there is a section which provides a possibility where a quota might not be qualified, under the language of that subsection. I should like to ask the chairman this question. In the event that a deficit should result from the application of subparagraph (3) on page 8, would that deficit be reallocated in accordance with the section governing reallocation of deficits for other deficits?

Mr. COOLEY. The answer is "yes."

Mr. HANNA. I thank the gentleman.

SUGAR ACT AMENDMENTS OF 1965

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 11135, with Mr. BURKE in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday the Clerk had read the first amendment as printed in the reported bill. Without objection, the Clerk will report the first committee amendment.

The Clerk read as follows:

On page 5, line 6, strike out the period and quotation marks and insert "with sugar produced in such country."

The amendment was agreed to.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that the other committee amendments be read and voted on en bloc. They are technical and clerical in nature and are not controversial.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read as follows:

Page 5, beginning on line 15, strike out "up to and including the amount".

Page 5, line 17, after the word "determination" insert "up to and including the amount".

Page 5, line 22, strike out "in excess of the amount" and on line 23, after the word "determination" insert "in excess of the amount".

Page 6, line 1, insert parenthesis around the figure "3".

Page 8, line 7, strike out "other than Ireland".

Page 8, line 19, change the lower case "(a)" to upper case "(A)".

Page 9, line 4, strike out "year; and" and insert "year: *Provided*, That in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar; and".

Page 9, line 5, change the lower case "(b)" to upper case "(B)".

Page 9, line 15, after the word "reduction" insert "under either subparagraphs (a) or (b)".

Page 10, line 2, after "Secretary," insert "and".

Page 10, line 10, strike out "(A)" and insert "(1)".

Page 10, line 13, strike out "125" and insert "115".

Page 10, line 14, strike out "(B)" and insert "(2)".

Page 10, line 16, change the comma after "July 1" to a period and strike out all of lines 17, 18, 19, and 20.

Page 13, line 12, after the word "under" insert "the foregoing provisions of".

Page 14, beginning on line 13, strike out "under this subsection," and insert "for any country listed in Section 202 (c) (3) (B)."

Page 14, line 15, after the word "countries" insert "so".

Page 14, line 15, after the word "listed" strike out "in Section 202(c) (3) (B)".

Page 20, line 4, strike out, "Belgium,". Page 20, beginning on line 8, strike out the semicolon and "one hundred and eighty-two short tons, raw value, for Belgium;".

Page 20, beginning on line 14, change the semicolon to a period and strike out the remainder of line 14 and all of lines 15 through 24.

The committee amendments were agreed to.

AMENDMENT OFFERED BY MR. FINDLEY

Mr. FINDLEY. Mr. Chairman, I offer an amendment.

The CHAIRMAN. Is the amendment provided for under the rule?

Mr. FINDLEY. Yes, Mr. Chairman, it is provided for in the rule and begins on page 12 after line 14.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

On page 12, after line 14, insert the following:

"(h) Effective January 1, 1966, and notwithstanding any other provision of law, the quota of any country shall be reduced to zero for the balance of the period covered by this Act if any authorized person appearing or working in the interest of such country in regard to sugar legislation is registered or required to be registered under the Foreign Agents Registration Act; except that the quota shall not be reduced below any treaty obligation.";

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, lobbying for U.S. citizens and organizations is proper, and much of it helpful.

But I have dug deep enough into the foreign sugar lobby to know that it is open to suspicion. One of these days the lid is going to blow off the sugar bowl, and when that happens I want the House of Representatives to be standing in the clear. That is why I offer this amendment.

If Chairman COOLEY operated the Agriculture Committee on the same proper policies that govern the Ways and Means Committee, the foreign sugar lobby could not thrive as it does. I doubt that it would exist at all. Lobbyists can sell their services for \$50,000 a year, because the Agriculture Committee gives them status, lets them testify, and this makes them look important. The system leads foreign countries to believe they have to hire a lobbyist to get a quota.

In contrast, the Ways and Means Committee has an inflexible rule that no foreign agent, no lobbyist for a foreign government can appear before it. Unfortunately Chairman COOLEY does not run his committee that way.

Do foreign sugar lobbyists really peddle influence? I cite as authority Chairman COOLEY, who on page 182 of the hearings credits one of these lobbyists, Arthur L. Quinn with packing enough wallop to kill an import fee proposal that would have enriched the U.S. taxpayers by \$80 million a year.

Whether these lobbyists really peddle influence or not, they put doubt and suspicion over sugar legislation.

John A. O'Donnell used public office for personal profit to such an extent that in 1962 the Congress passed a law just to bar him from getting additional commissions. He was charged with deceiving Congress and the Executive, and yet he is still a prominent sugar lobbyist.

Chairman COOLEY spoke yesterday of vicious insinuations. What insinuations could be more vicious than those placed against Members of Congress by Lobbyists John A. O'Donnell and Monroe Karasik, as recorded in the 1962 Senate hearings?

O'Donnell, Karasik, and others in the foreign sugar lobby make Congress look bad at home and abroad. Foreign countries are led to believe they must have to pay somebody to get a quota.

Argentina believes its quota was cut because it had no lobbyist.

Venezuela got a big quota increase, and I daresay its new \$50,000-a-year lobbyist, Charles Patrick Clark, is doing his best to claim credit.

It is easily seen how this lobby makes the U.S. Congress look bad.

I have yet to discover one scrap of useful information these lobbyists provide the committee which is not readily available from official sources.

Perhaps Chairman COOLEY can help.

Mr. COOLEY, what useful information have you ever received from these \$50,000-a-year influence peddlers that was not readily available from official sources?

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Missouri.

Mr. CURTIS. Mr. Chairman, I want to commend the gentleman from Illinois for the work he has done in this area in directing our attention to procedures and to confirm what he says, as I understand it, the Committee on Ways and Means and the procedures followed by that committee. We establish our guidelines and our procedures and get away from these personalities that unfortunately have to be indulged in. I again want to commend him.

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. I thank the gentleman from Missouri.

Mr. RESNICK. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from New York.

Mr. RESNICK. Would this affect the sugar quotas in this bill? In other words, all of the foreign countries using lobbyists on this quota would virtually be thrown out?

Mr. FINDLEY. I am not sure what the gentleman means.

Mr. RESNICK. If the gentleman's amendment is adopted, therefore the countries that do use lobbyists will be thrown out?

Mr. FINDLEY. It is not retroactive. It is effective only on the date of enactment of this legislation. The countries would have ample opportunity to clear their skirts, pay off the boys, and cancel any lobbyist contracts.

Mr. WILLIS. Mr. Chairman, I rise in opposition to the pending amendment.

Since an honest confession is good for the soul, I think it is well for all of us to acknowledge a few things in considering this amendment. We all have our likes and dislikes; we all have our pet peeves and pet projects; we are all prone to proclaim our love of motherhood and our hatred of sin. As to those who are inclined to overplay their own virtues, the English have a reply: "Forget it, because to them all their geese are swans."

Now, lobbyists do present a problem. In my judgment, however, it is as wrong to say that all lobbyists as a general rule are bad as to say that all politicians, all insurance people, or, yes, all business people, are bad.

We all know that there are hundreds of lobbyists in Washington, and if we do not acknowledge this, we are only kidding ourselves. But for my part I have an open door policy. Anyone can see me. I make it a practice to see representatives of all groups, and it is sometimes even difficult to say whether they are lobbyists in the true sense of the word.

I do know that under the Constitution people have a right to petition Congress, and in a way visits by representatives of groups constitute their way of petitioning Members of Congress. Anyway, I know I have seen and see many lobbyists, although I certainly have not seen anyone whose actions have been described by certain people on this floor. I do know also that I have not stultified myself by talking to representatives of groups of people and I am satisfied that

I have not been corrupted by these conversations.

Now, we have a law on the books called the Foreign Agents Registration Act. As I pointed out yesterday, if this act needs to be amended, let us amend it; if there are loopholes in it, let us close those loopholes; and if more teeth should be added, let us add them. As a matter of fact, I have held hearings on this very subject during the year and I hope and expect to be able to report out a bill next session. I think that is the right way to cope with the problem we are talking about.

But I do not believe that the Findley approach is the right way.

What does his amendment say?

First, let me point out that all the countries who sell us our deficit sugar requirements are friendly countries. We do not buy sugar from any unfriendly country.

Now, the Findley amendment says that if any friendly country should dare to employ an American citizen—an American citizen, mind you—to represent it in connection with sugar legislation, from then on we will not buy a pound of sugar from that country.

During the debates the finger was pointed at only two or three representatives of foreign countries appearing in Washington on behalf of sugar legislation. The charge in substance is that these representatives are receiving excessive fees. But we do not know exactly how the fees are measured. Perhaps they earn their money. At least we have heard of only two or three complaints. But if it is true that excessive fees were charged in two or three cases, the amendment would penalize the friendly foreign countries whose representatives appear to have been above reproach so far as the proponents of this amendment have revealed to the general membership of the House.

Why then penalize all representatives of all friendly countries?

Why single out sugar when we know that no court would uphold such discriminatory legislation?

What about representatives of other commodities? What about representatives of manufactured goods? What about representatives of industry generally? What about representatives of labor unions?

Besides, does anyone believe for a moment that these foreign friendly sovereign powers would take it lying down? Does anyone really believe they would not retaliate against representatives of our people doing business with them. As I said yesterday, if anyone believes that he is only dreaming; that if anyone on this floor believes that I am defending anything wrong or evil or improper, he is not only dreaming but he is doing me and others who feel that the way to go about this is to amend the Foreign Agents Registration Act an unkindness and an injustice.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. RUMSFELD. Mr. Chairman, my able colleague from the State of Illinois, Congressman PAUL FINDLEY, has achieved noteworthy success in making it possible

for Members of the House to vote on the merits of two amendments to H.R. 11135, the proposed revision and 5-year extension of the Sugar Act.

The Findley amendments are sound and reasonable, and I wish at this point to express my support of them.

One of the amendments would return to the U.S. Treasury three-fourths of the profits on sugar now being received by foreign countries. The other amendment would restrict the activities of lobbyists for foreign sugar interests.

The Findley amendment for a 75 percent import fee would achieve a compromise between the 100 percent import fee sought by the late President Kennedy in 1962 and the 50-percent import fee embraced by the Johnson administration.

Foreign sugar quotas today are yielding about \$200 million profit not anticipated by Congress. Under administrative ruling, earlier foreign quotas were extended through 1965, but the import fees were not. In October of 1964, the administration announced that an import fee was a necessity for new sugar legislation. On March 29, 1965, the domestic sugar industry issued recommendations for new sugar legislation, including a recommendation that a 50 percent import fee, or 1 cent a pound, whichever is lower, be adopted. Later, however, the administration changed its course, dropping the demand for an import fee. I am not sure what caused this change in policy.

The Findley amendment could return to the U.S. Treasury some \$210 million annually, or \$1.4 billion during the 5-year term of the proposed legislation. At present prices, the 25 percent being retained by quota countries would amount to \$17.50 a ton—a substantial advantage when compared with the world sugar price of about \$40 per ton.

This amendment would not force sugar prices up, it would not change the volume of imports, and it would not change U.S. sugar prices.

It would however reduce by three-fourths the pure profit on sugar now enjoyed by foreign interests. It could also reduce the tendency toward overproduction in foreign countries.

I cannot see how the Congress of the United States can do anything other than vote to establish the 75-percent import fee on sugar.

Congressman FINDLEY's other amendment would restrict the activities of lobbyists who try to influence sugar quotas for foreign governments.

Some foreign sugar lobbyists in the past have received lobbying fees based on the size of the sugar quotas obtained by their clients. Also of importance is the fact that the foreign sugar lobbyists are unable to provide information to Congress which is not readily available from official governmental sources.

This amendment would not impair the rights of U.S. citizens; it would not handicap foreign governments in presenting information to the U.S. Government; it would not prevent foreign governments and foreign sugar interests from hiring U.S. firms and individuals to deal with nonlegislative aspects of sugar problems;

and it would not apply to lobbying in regard to U.S. sugar interests.

In drawing up these amendments and in calling them to the attention of the Nation, Congressman FINDLEY has performed a fine service. Drawing on his reportorial and publishing background and relying on his broad experience as a member of the House Committee on Agriculture, Congressman FINDLEY has made a strong case for his amendments.

Extension of the Sugar Act without these amendments would undoubtedly be sweet news to the sugar producers in foreign countries. But it would leave a sour taste in the mouths of the people of the United States. I will support the two Findley amendments.

Mr. FRASER. Mr. Chairman, I listened attentively to yesterday's debate. I have reviewed some of the hearings, and have carefully read the report of the committee.

I am opposed to this bill and will vote against it. I will also support the Findley amendment barring the employment of lobbyists in connection with the allocation of these sugar quotas.

I am opposed to the means employed to allocate the sugar production quotas outside this country. This bill allots sugar production to some 30 countries. Through these quotas the sugar producers in these lucky countries will receive \$280 million more than if they sold at world market prices.

I have found no objective criteria by which these quotas are assigned to the participating countries. I have searched the committee report in vain for these objective criteria. The only standards which the committee professes to have used are so general and vague as to be meaningless.

If quotas were assigned to 30 States in the United States on the same basis as they are assigned through this bill to nations abroad, a public howl of outrage and indignation would be heard across the Nation. The lack of objective standards would lead to charges that the quotas are assigned "arbitrarily," "unreasonably," and without any kind of objective measure.

After all, when the Federal Government establishes programs for the benefit of its own citizens, it must employ reasonably firm standards in distributing grants or benefits. The production of sugar within the United States is a case in point. The payments to sugar growers in the United States and the acreage restrictions themselves are based on objective criteria. Why are there no objective criteria for the granting of quotas abroad? Both the Department of Agriculture and the principal spokesman for the domestic producers urged that a formula be used to fix these overseas quotas, but the committee obviously has not elected to do so.

What should these criteria be? I will suggest a few which could provide a reasonable basis for quotas: First, the historical quota held by a country; second, the historical allocation held by a region of the world; third, the history of sugar production in a country; fourth, the proportion which a country's sugar exports bear to her other exports—in other

words, her dependency upon sugar for foreign exchange earnings; fifth, the proportion of sugar exported by a country compared to its domestic consumption; sixth, the other preferential sugar markets available to a country; seventh, the character and diversity of ownership of sugar production units; eighth, the per capita income of the country; ninth, the relationship which sugar production bears to the general development needs of the country; and, tenth, the self-help measures taken by a country to improve its economy.

If a formula were adopted, the historical quota should obviously be the starting point, with only gradual, step-by-step changes made in accordance with the formula.

I suggest another possibility. Most of our quotas are assigned to the Western Hemisphere. Why not give this amount in gross to the Western Hemisphere with the allocation to be made by the OAS or some special committee having appropriate power? The same technique could be used with respect to the small amount allotted to Africa. The OAU could be invited to allocate this quota. Alternatively, the OAS and the OAU could participate with the United States jointly in arriving at these decisions.

Finally, the need for an orderly, worldwide system of marketing in sugar as well as in other commodities is becoming increasingly evident. We need to work more vigorously at improved marketing of food because food is growing in importance as population outstrips food production.

Mr. Chairman, I do not base my objection to this bill on its failure to suggest an international or regional forum to participate in these marketing decisions, desirable as that would be. My fundamental objection is based on the arbitrary assignment of quotas which are not based on some formula capable of either precise ascertainment or which give approximate guidelines.

The absence of such criteria provide a field day for foreign intervention into the decisionmaking processes of this Congress. While I ordinarily do not oppose the use of counsel to represent outside interests, whether they be foreign nations or not, in this case the circumstances lend themselves to unfortunate conclusions. We should not tolerate a system of allotments which leaves these kinds of possibilities open. For this reason I shall support the bar against lobbyists.

Mr. Chairman, this bill fixes quotas for 5 years. A rejection of this bill would permit the committee to work out standards for the assignment of this quota. In the meantime a 1-year bill which gives relief to domestic producers could be enacted.

I hope others will join in asking the committee to take a new look at the method of assigning overseas sugar quotas.

All time has expired.

The question is on the amendment offered by the gentleman from Illinois [Mr. FINDLEY].

The question was taken; and on a division (demanded by Mr. FINDLEY), there were—ayes 62, noes 83.

Mr. FINDLEY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. FINDLEY and Mr. CALLAN.

The Committee again divided and the tellers reported that there were—ayes, 93, noes, 114.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. FINDLEY

Mr. FINDLEY. Mr. Chairman, I offer an amendment made in order by the rule.

The Clerk read as follows:

Amendment offered by Mr. FINDLEY: On page 21, strike out lines 8 and 9 and insert in lieu thereof: "SEC. 9. Section 213 of such Act is amended to read as follows:

"SEC. 213. (a) As a condition for importing sugar into the continental United States pursuant to sections 202(c) and 204 of this Act, an import fee shall be paid to the United States, which fee shall be 75 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar at a level that will fulfill the domestic price objective set forth in section 201, exceeds the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fees provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly except that the import fee imposed on any direct-consumption sugar shall be one-half of one cent per pound more than the import fee imposed on raw sugar under this paragraph. Such fees shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary. The Secretary shall promulgate regulations permitting any importer of sugar to apply for a quota set-aside, furnishing such security as the Secretary may require, which will fix the import fee for any sugar under his control to be imported at any time during a calendar year at the rate then in effect for such calendar year. The Secretary shall determine, from time to time, the rate of import fee and the initial such determination shall be made by October 1 in each year for the succeeding calendar year, except for the calendar year 1966, in which case such determination shall be made at the earliest practicable date.

"(b) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

Mr. FINDLEY. Mr. Chairman, the lobbyist amendment has been disposed of, but I am reassured by the comments by the gentleman from Louisiana in regard to revision of the Foreign Agents Registration Act. The Senate sent over a bill to accomplish this objective 2 years ago, so I am hopeful now for prompt consideration.

The import fee amendment is similar to one recommended to the Congress by the domestic sugar industry on March 28. In making the recommendation the domestic sugar industry argued that it would help to curb overproduction of sugar overseas.

It has many other good features.

It would help our balance of payments. It is hard to estimate precisely what the gain to our balance of payments would be, but assuming present prices continue the gain to our balance of payments would be \$210 million a year, or about \$1 billion for the life of the bill.

It would help our Federal deficit by

the same amount. The likelihood is that we will have another \$8 billion deficit or thereabouts when the current fiscal year is out. This amendment would help to reduce the deficit and would of course be a substantial benefit to the U.S. Treasury.

This is similar to the import fee sought until very recently by the Johnson administration; similar to the one sought by the Kennedy administration; similar to the one imposed on the Dominican Republic at one time by the Eisenhower administration; and, similar to one in effect during 1962, 1963, and 1964. So Members can see it does have precedent.

At present prices sugar quotas will yield a pure profit over world prices of about \$280 million a year. My amendment would put, therefore, about \$210 million of this pure profit into the U.S. Treasury. It would not affect domestic sugar industries in any shape or form. It would leave ample incentive in the foreign quotas for these countries to ship to the U.S. market to the limit of their quotas. Domestic quotas and prices would not be involved at all.

My amendment would help the taxpayers and help our balance of payments, and it would hurt nobody but the profiteers.

If, as some argued yesterday, world prices would go up—and I would expect them to go up some, and I would hope they would—then the import fee would automatically go down proportionately. Under no circumstances would this import fee cause higher sugar prices in the United States.

Under the present bill, believe it or not, Dr. Duvalier, the worst tyrant in the Western Hemisphere, the ruler of Haiti, will have access to big money. The value of the premium prices he will have access to is about \$2 million a year or about \$10 million for the life of this act. Now, why should the consumers of America help to finance the Duvalier regime?

As presently written, plantation owners in Latin America who pay only 7 cents an hour to cane field workers would get almost as much for the sugar they sell into the U. S. market as do the Hawaiian producers whose cane field workers presently get more than \$3 an hour. Compare the \$3 an hour with the 7 cents an hour and you get some small idea of the tremendous profit involved in these foreign quotas and the big money in them.

There is no assurance in this bill whatever that any of this big profit would lead to higher pay for the cane field workers of Latin America. Very likely it would just make the rich that much richer.

So far as I can learn, the President has made no commitment or given no assurance on the question of the import fee. If he has, it has been completely out of sight. I cannot find any record of it. He did say that he will propose that Congress eliminate the import fee. It was no promise; no commitment. The decision was left specifically to the Congress.

Given our deficit situation and given our balance-of-payments situation and the uncertain money demands that lie ahead for us in defense, to me it is simple

logic to take some of the profit out of these foreign sugar quotas and put these into the U.S. Treasury to benefit all of the American people.

Mr. ALBERT. Mr. Chairman, I rise to oppose the amendment offered by the distinguished gentleman from Illinois [Mr. FINDLEY]. Mr. FINDLEY is an able and hard-working member of the committee. I have served with him on the committee and I know he brings this matter forward in good faith.

I base my opposition to the amendment primarily on two points. First, it would have a most serious impact upon our relations with many important allies and particularly our Latin American neighbors. Second, it would jeopardize, in my opinion, the American consumer's ability to receive a reliable and adequate supply of sugar year in and year out. On the first point the gentleman mentioned the recommendations made earlier in the year by the domestic sugar industry. I have in my hand a memorandum from the domestic sugar industry in which it is said that the industry does not support the amendment which would impose an import fee on sugar.

I have in my hand a letter from the State Department signed by Assistant Secretary MacArthur in which the Department says that it is opposed to the import fee contained in the Findley amendment.

I also have in my hand a letter from the Department of Agriculture signed by the Under Secretary stating that the Department of Agriculture opposes the Findley amendment.

Mr. Chairman, in a statement made by the President of the United States on the fourth anniversary of the Alliance for Progress the President indicated his opposition to this amendment because he said that he would recommend to the Congress—page 13 of this report—that the Congress eliminate the special import fee on sugar.

I have been advised by the White House this morning that the President is opposed to this amendment.

Mr. Chairman, I ask: What would the adoption of the Findley amendment do to our relations in Latin America?

First of all, it is at odds with the Charter of Punta del Este, which established as one of the bases of the Alliance for Progress the stability of prices of basic raw materials in commerce between nations.

It contradicts the principles unanimously adopted by the United Nations Conference on Trade and Development in June 1964, that we would work together to stabilize prices on major exports at fair levels.

Any import fee on sugar has been protested officially by the Organization of American States. It has been protested in an official communication to the Secretary of State by the President of the Inter-American Committee of the Alliance for Progress, called the CIAP.

Following that recommendation, the President stated:

And consistent with the CIAP recommendations I will propose this afternoon that Congress eliminate the special import fee

on sugar so that the full price will go to the Latin American producers.

Such a proposal was contained in the bill which the administration sent to the Congress on that same date.

To depart from these recommendations could have disastrous effects.

Not only would the adoption of this amendment harm this Nation's diplomatic posture, it would work serious economic hardship on many of our allies and friends.

Reports of the Library of Congress and the Department of Agriculture show that the cost of producing sugar in many of the quota countries averages about 5 cents per pound. The bill before the House today provides to these countries a price of only 5.7 cents per pound.

The Findley amendment would put the United States in the unenviable position of forcing some of our supplying countries to sell us their sugar at less than the cost of production, and on the basis of present prices, for less than other major importing nations are paying.

How would the adoption of this amendment leave the United States in comparison to the other major sugar importing countries?

The United Kingdom has a sugar quota program similar to that of the United States. Its guaranteed price is 5.8 cents per pound, with no duty, a price comparable to that paid in the United States, as opposed to something like 3 cents per pound should the Findley amendment be adopted.

France has a sugar program with a price higher than the price objective in our Sugar Act.

Russia and Red China have contracts to purchase virtually the entire Cuban sugar crop at a price of approximately 6 cents per pound, which, again, is higher than our price.

Adoption of this amendment would present to all the world a devastating contrast between the treatment extended to Cuba by Russia and Red China, and the less generous treatment we would be extending to our loyal allies and neighbors.

Mr. Chairman, our primary objective, of course, is to guarantee permanent and adequate supplies of sugar to the American people at a fair price. The essence of our sugar program is to protect the American consumer against a wildly fluctuating sugar price by limiting our market to reliable suppliers who agree to meet our needs at a set and fair price.

The Findley amendment would sacrifice this time-tested program in an uncertain effort to improve our balance of payments. He says we will gain \$200 million a year. But, let us look at the record. For 2½ years beginning in the middle of 1962, there was a levy on most of the sugar coming into the United States. Yet in this entire 2½-year period, the fee netted the U.S. Treasury only \$40 million.

This is a matter of record. It is a clear indication that the world market price is completely unpredictable and that the figures used by the gentleman from Illinois are highly questionable. Furthermore, any effect on the balance of pay-

ments is conjectural because the earnings of the sugar supplying nations make possible imports by those countries from us.

There is also a relationship between the imposition of an import fee and the aid requirements of the Alliance for Progress programs.

Mr. Chairman, any import fee which reduces the attractiveness of the U.S. market to our suppliers weakens the dependability of the source of supplies for the American housewife. H.R. 11135 provides a comprehensive system that assures that adequate supplies shall always be available. We must not weaken that system.

On all points, I urge the defeat of the amendment.

At this point, Mr. Chairman, I include the memorandums and letters to which I referred earlier in my statement:

MEMORANDUM

To: Members of the House Committee on Agriculture.

From: The Domestic Sugar Industry¹

Subject: Import fee on sugar.

Date: September 30, 1965.

In view of conflicting reports concerning the attitude of the domestic sugar industry toward one aspect of pending sugar legislation, we consider it desirable to set forth our position.

The domestic sugar industry does not support the amendment which would impose an import fee on sugar. It vigorously supports the position of the President and the administration against an import fee.

Confusion as to the industry's position may have arisen because earlier this year it was advised by responsible officials in the administration that consistent with their announcement of October 19, 1964, there would not be administration support for sugar legislation unless such a fee were included. After much discussion the industry agreed to support an import fee of not more than 50 percent of the difference between the so-called world market and the domestic price objective of the act, with a 1-cent per pound ceiling.

Subsequently, the President determined that such a fee was inadvisable and announced his position to the ambassadors from the Latin American countries. On August 17, 1965, the President said: "I will propose today that Congress eliminate the special import fee on sugar, so the full price of sugar will get to the Latin American producers."

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE UNDER SECRETARY,
Washington, D.C., October 12, 1965.

HON. CARL ALBERT,
House of Representatives.

DEAR MR. ALBERT: This administration is firmly opposed to levying a fee on imports of sugar into the United States.

A number of developing countries, especially in this hemisphere, depend on sugar exports for much of their foreign exchange. The United States is the only preferential market available to Latin American countries. The balance of their sugar moves into the world market where prices have been distressingly low all year. At present the price is 2.2 cents per pound which is also just about the average for the year to date. The dollar earnings which they realize from sugar exports to the United States materially

¹ Domestic Beet Sugar Industry, Mainland Cane Sugar Industry, Hawaiian Sugar Industry, Puerto Rican Sugar Industry, U.S. Cane Sugar Refiners' Association.

reduce the aid requirements of many of these countries.

On August 17, at the ceremony commemorating the fourth anniversary of the Alliance for Progress, the President stated that he would propose to the Congress that Latin American producers receive the full price for sugar shipped to the United States. The bill to carry out the President's recommendations was sent to Congress on the same day.

I am attaching an excerpt from the President's statement which relates to this subject.

Sincerely yours,

JOHN A. SCHNITTKER,
Under Secretary.

EXCERPTS FROM PRESIDENT'S STATEMENT

First, we must step up our efforts to prevent disastrous changes in the prices of those basic commodities which are the lifeblood of so many of our economies. We will continue—as we did this week in London—to strengthen the operation of the coffee agreement and to search for ways to stabilize the price of cocoa.

We will try to maintain a regularly expanding market for the sugar that is produced by Latin America. And consistent with the CIAP recommendations, I will propose this afternoon that Congress eliminate the special import fee on sugar so that the full price will go to the Latin American producers.

Second, we must try to draw the economies of Latin America much closer together. The experience of Central America reaffirms that of Europe. Widened markets—the breakdown of tariff barriers—leads to increased trade and leads to more efficient production and to greater prosperity.

DEPARTMENT OF STATE,

Washington, D.C., October 12, 1965.

Hon. CARL ALBERT,
House of Representatives.

DEAR CONGRESSMAN ALBERT: The administration would strongly oppose proposals to reintroduce a fee to take away the difference between the world market price for sugar and the domestic price which we choose to pay under the provisions of the Sugar Act.

In his remarks on the fourth anniversary of the Alliance for Progress on August 17, 1965, President Johnson said that we must step up our efforts to prevent disastrous changes in the prices of those basic commodities which are the lifeblood of so many of the economies of the countries in the world. He went on to say that we will try to maintain a regularly expanding market for the sugar that is produced in Latin America, and that consistent with the CIAP recommendations he would propose that Congress eliminate the special import fee on sugar so that the full price would go to the Latin American producers.

When the import fee was first recommended in 1962, the world sugar market had still not recovered from the change in Castro Cuba's sugar policy. It was a time of great uncertainty. The Department hoped at that time that a fee might discourage overly large expansion of production in many countries who were then making their decisions as to whether to move in to fill the gap expected to result from Cuba's decreasing its sugar production. Despite the existence of the fee, many countries continued to expand their production. Prices are now extremely low and the future stability of world sugar is in doubt.

The experience of the last few years has taught us that the global quota and fee arrangements of the 1962 act have not contributed to stability of supplies for our consumers in the way our earlier, traditional system did. It is for this reason that the administration has proposed a return to the former arrangements under which all the

foreign portion of our market is assigned to specific, named countries, and no import fee is levied.

Our primary objective must be to guarantee permanent and reliable supplies to the American people. The system of assigned country quotas, buttressed by the return of the quota premium when our price is above the world price, will best assure stable, predictable supplies. The presence of an import fee inevitably reduces the attractiveness of the United States as a market and therefore does not contribute toward security of supplies for the American consumer.

It should be recalled that since the beginning of our present sugar system in 1934, the foreign countries which supply our market have enjoyed the full price (less the tariff) we seek to guarantee to the American farmer. The aspirations of Latin American countries and others which serve our sugar market center around obtaining the full price for what they sell here. Since they have so long had the full price, the introduction of the fee would look to them like the withdrawal of a long established privilege which they would find difficult to understand. It would be received throughout the Western Hemisphere as a denial of what has become a vital economic and political aspiration of theirs; namely, obtaining the full price for their basic export commodities in the markets of the developing countries.

In addition, it should be mentioned that we know a great deal more now about the cost of production in many foreign countries than we did in 1962. At that time there was considerable feeling that the so-called quota premium represented a windfall to countries able to produce sugar at a cost substantially below what they obtained here. Now, as programs like the Alliance for Progress have become more effective, wage rates are generally rising. More and more of the price we pay for sugar is making a direct contribution to increased standards of living in the countries which supply sugar to the United States. In view of our concern for the economic progress of the developing countries, as evidenced by programs like the Alliance for Progress, it would be unwise to take a step which would discourage the economic development of the countries which supply us with sugar.

For these reasons the Department believes that it would be unwise to reintroduce an import fee.

Sincerely,

DOUGLAS MACARTHUR II,
Assistant Secretary for Congressional Relations.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. FINDLEY].

The question was taken; and the Chairman announced that the "noes" had it.

Mr. FINDLEY. Mr. Chairman, I demand tellers.

Tellers were ordered; and the Chairman appointed as tellers Mr. FINDLEY and Mr. CALLAN.

The Committee divided, and the tellers reported that there were—ayes 95, noes 137.

So the amendment was rejected.

Mr. HARVEY of Indiana. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. HARVEY of Indiana moves that the Committee do now rise and report the bill to the House with the recommendation that the enacting clause be stricken.

(Mr. HARVEY of Indiana asked and was given permission to revise and extend his remarks.)

Mr. HARVEY of Indiana. Mr. Chair-

man, if I may have the attention of the Members, I hope to use this time as profitably as possible in explaining to them the nature of the recommittal motion which I will offer later. This motion will be very similar to the one that has just been rejected, except it will set the fee at 50 percent instead of 75 percent.

I feel in my own personal rationalization of this legislation that this is a better figure. I think it is one that is more easily defended, and I think it is one that certainly the U.S. Treasury is justified in attempting to impose. I say "attempt" because, as I listened to the discussion of my good friend, the able majority leader, he set forth the reasons why the majority were in opposition to any import fee. I do not think there is any doubt, Mr. Chairman, but what this turnabout in their attitude toward an import fee, is because of the Dominican crisis. It was hoped that by dropping the import fee to appease the ruffled feathers of the Latin American countries that were aroused because of our intervention there. I think the President himself, when he originally recommended this fee, realized it was a just and equitable levy and should be incorporated in the bill.

Mr. GERALD R. FORD. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Michigan.

Mr. GERALD R. FORD. It is my understanding that within the last year the administration was for this precise provision in the law.

Mr. HARVEY of Indiana. That is right, so were the domestic sugar producers and the refining industry. It has been supported also by the last three Presidents.

Mr. GERALD R. FORD. Every time something comes up on the floor of this body we are told it will seriously jeopardize our international relations with our Latin American friends. This was the red herring that was used at the time the House considered the immigration bill. We had a real tough fight on that legislation at that time. We did not prevail. We attempted to put on a hemispheric limitation, but after all of those arguments the bill on immigration went over to the other body and almost within 24 hours all of those arguments, which sounded plausible on the floor of the House were undercut. They get rather threadbare with that kind of argument, but they did it. The administration was for this legislation, it was for this provision in the last year, and we should help them get it for the benefit of the Treasury of the United States.

Mr. HARVEY of Indiana. I thank the gentleman.

I want to add at this point that in addition to the very cogent argument that our distinguished minority leader has presented, I want to impress upon the majority that this is in line with the principle and the philosophy of the Selden resolution which we approved not too long ago. I think that those of you who supported the Selden resolution ought to likewise support this recommittal motion because they are basically alike having to do with our foreign policy

and particularly with regard to our relations in the Caribbean.

(Mr. LATTA asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. LATTA. Mr. Chairman, I think

Effect of H.R. 11135 on U.S. beet sugar companies

	Market allotment			
	Present law		H.R. 11135	
	Tons	Percent of total	Tons	Tons increase
1. The Great Western Sugar Co.....	629,000	23.7	717,000	88,000
2. Holly Sugar Corp.....	442,400	16.7	505,200	62,800
3. Spreckels Sugar Co., division American Sugar Co....	409,000	15.4	465,800	56,800
4. Amalgamated Sugar Co.....	323,300	12.2	369,000	45,700
5. American Crystal Sugar Co.....	286,400	10.8	326,700	40,300
6. Utah-Idaho Sugar Co.—Layton Sugar Co.....	272,600	10.3	311,600	39,000
7. Union Sugar, division Consolidated Foods.....	132,300	5.0	151,200	18,900
8. Michigan Sugar Co.....	83,400	3.2	96,800	13,400
9. Monitor Sugar, Division Rob. Gage Coal Co.....	40,300	1.5	45,400	5,100
10. Buckeye Sugars, Inc.....	15,300	.6	18,100	2,800
11. The National Sugar Manufacturing Co.....	8,000	.3	9,100	1,100
12. Empire State Sugar Co.....	8,000	.3	9,100	1,100
Total.....	2,650,000	100.0	3,025,000	375,000

Mr. BOGGS. Mr. Chairman, I rise in opposition to the preferential motion.

Mr. Chairman and members of the Committee, I hope we thoroughly understand what is involved here before we vote on the motion to recommit.

It so happens that I, along with the gentleman from Louisiana [Mr. WILLIS] and my good friend, the gentleman from Louisiana [Mr. MORRISON], represent some of the sugar-producing sections of my State. I have had to familiarize myself with this very complex piece of legislation.

Now let us see what is involved here. To begin with—until the rise of Castro in Cuba—about 96 percent of all the foreign requirements for sugar consumption in the United States outside of our own possessions came from Cuba.

There was therefore no allocation of any substantial amounts to the other countries in Latin America. And when all the sugar came from Cuba, there was no import fee of any kind whatsoever. As a matter of fact, when the Sugar Act was passed back in 1937, certain considerations were given to the domestic producers, both beet and cane, and the existing tariff was reduced for Cuba.

One of the sanctions against Castro, as all of you know, was that we cut off totally and completely all imports from Cuba. That meant something like 3 million tons of sugar a year had to be allocated to other countries.

Now what did we do? We attempted to allocate that tonnage to various friendly nations in Latin America. I am not prepared to argue whether or not the allocations that have been made in this proposed legislation are right or not—I do not know enough about them. But I know this. I know that if we impose this proposal which will be contained in the motion to recommit, we would be discriminating against every one of our friends in Latin America.

Now why do I say that? In the first place, there is no such thing as a world price for sugar. That is an illusion—a snare and a delusion. There is a residual

Members of the House are entitled to know how the various U.S. beet sugar companies and their producers will fare under H.R. 11135 as compared with the present law. This comparison is as follows:

price for sugar and that has to do with sugar that has no market and it brings any price that the market will bring. That price is roughly today about 3 cents a pound. But practically no sugar is sold that way. Today England pays 5.8 cents per pound for sugar and they import every pound of it. France pays 8.5 cents per pound. Russia and Red China pay 6 cents a pound for sugar. Yet here it is proposed by the minority that we pay our Latin American friends something like 3 cents a pound for sugar. The notion that that would not upset our relations with Latin America just is not correct.

The only recommendation if any—

Mr. HARVEY of Indiana. Mr. Chairman, will the gentleman yield for a correction?

Mr. BOGGS. Mr. Chairman, I refuse to yield.

The only time there was any indication of any import fee was when, upon the insistence of certain parties, some segments of the administration said that they would go along on 1 penny.

This is quite different from the proposal here involved today. Since that time the administration has very firmly come out against any such proposal.

Now there is one other matter that has not been mentioned here today.

Mr. HARVEY of Indiana. Mr. Chairman, will the gentleman yield for a correction?

Mr. BOGGS. I do not yield to the gentleman.

Mr. Chairman, I ask for the regular order. I decline to yield.

The CHAIRMAN. The gentleman from Louisiana declines to yield. The gentleman will proceed.

Mr. BOGGS. Mr. Chairman, I do not have the time to yield. The gentleman had his time and I did not try to get him to yield.

Mr. Chairman, this proposal violates GATT. There is no question about it. What would happen if we adopted this proposal? We would have to go in and renegotiate all of our tariff arrangements

with all of the Latin American countries. Rather than saving the consumers any money anywhere in this country, the net effect would be that we would have to renegotiate our tariff agreements which would result in complete confusion and pandemonium. I hope all of us understand this and I hope this very destructive motion to recommit will be repudiated when it is offered.

When the facts are studied, however, it becomes clear that the imposition of the proposed import fee would be a serious error. The purpose of the import fee is to tax away from the foreign producers the difference between the U.S. price and the usually lower "world market price." At present, for example, the U.S. price is about 6.85 cents per pound, while the adjusted world price is about 3.10 cents, making a difference of about 3.75 cents per pound. If it were true that most of the world's sugar were sold at the so-called "world market price," then such an import fee proposal might make sense, because it would be clear that the United States was paying almost three times as much as the rest of the world for sugar.

In fact, however, between 80 and 90 percent of the world's sugar appears to be sold at prices approximating the U.S. price, while only 10 to 20 percent is sold at the so-called world market price. Here is the way it works. Total world production of sugar is a little more than 60 million tons per year. About three-fourths or 45 million tons of this is consumed in the country where it is produced. Virtually all of this sugar is sold under some sort of protective arrangement which yields a stable and profitable price for the producer well in excess of the world market price. Of the remaining one-quarter of world production, or about 15 million tons, which is shipped from one country to another, more than one-half—7 to 9 million tons—is sold to preferential markets like the United States, Britain, or France. Thus, out of a total world production of more than 60 million tons, only about 6 or 7 million tons is sold on the so-called world market.

In fact, the "world market" is nothing more than a residual market where the world's excess sugars are sold. Over the years most of the developed countries have learned that occasionally there are sugar shortages resulting from small crops brought about by such things as hurricanes or drought. But these developed countries are, like the United States, unwilling to reduce sugar consumption even during times of scarcity. Accordingly, they have pegged their sugar prices at a level which will insure that they have an adequate supply even during periods of world shortage. The premium price systems of the developed countries cause supplying countries to produce at least enough to meet their obligations to the premium price importing countries. Inevitably some supplying countries have excess production. For the most part, this excess production is what is sold on the world market.

It can be seen, then, that the world market is in fact a residual market. It can be compared with the various Gov-

ernment surplus stores around the country. For example, a tent originally costing \$25 might be found in a surplus store with a price of \$5. The reason for the difference in price is not that the two tents are different, but rather that the one found in the surplus store is not needed by the Government; it is in excess of known requirements; in short, it is surplus, so we sell it for whatever price we can get. The same thing can be said for most of the sugar sold on the so-called world market.

It is thus clear that just as tentmakers do not normally produce Army tents for surplus stores, so sugar producers do not normally produce sugar for the world market. Accordingly, we could not rationally take the position that the price of sugar in the world market is a profitable price for foreign producers. It is not, and the cost figures filed by foreign producers with the Agriculture Committee shows that it is not. Under these circumstances, it seems clear that we cannot responsibly impose a variable tax designed to soak up the difference between the U.S. price and the surplus store, or world market, price.

The proposal would also be a clear violation of GATT. This is virtually admitted in a letter from the State Department Legal Advisor to the chairman of the House Agriculture Committee dated December 30, 1964. This means that if the fee were imposed, we would probably have to compensate other countries by lowering our tariffs on some other items, or face retaliatory action by them against our own exports. Second, it would undoubtedly embarrass the United States in its relations with Latin American countries. Thus, for example, on August 17, 1965, the President addressed the Ambassadors of the Latin American countries on the fourth anniversary of the Alliance for Progress and said:

We will try to maintain a regularly expanding market for the sugar that is produced by Latin America. And consistent with the CIAP recommendations, I will propose this afternoon that Congress eliminate the special import fee on sugar so that the full price will go to the Latin American producers.

After this statement by the President, it would clearly be embarrassing to impose the import fee.

It seems clear, therefore, that the import fee proposal is unwise both from an economic and good-neighbor standpoint, and should not be enacted.

Mrs. MAY. Mr. Chairman, I move to strike the last word of the preferential motion.

The CHAIRMAN. That motion is not in order at this time.

Mrs. MAY. Mr. Chairman, I wish to speak in favor of the preferential motion.

The CHAIRMAN. There is no present time allowed under the rules. The question is on the preferential motion of the gentleman from Indiana.

The motion was rejected.

Mr. BARRETT. Mr. Chairman, the sugar bill before us is the result of extensive deliberation by the Agriculture Committee. It represents many compromises and perhaps no one will be happy with

the bill in its entirety. But I have been impressed with the fact that it has the unanimous support of the many different segments of the sugar industry and the nearly unanimous support of the committee. I am convinced that it is a good bill and will assure the many consumers of sugar I represent of adequate supplies of sugar at reasonable prices.

We all know that sugar is not a luxury but a necessity. Everyone consumes it in many forms every day. Because of this, legislation designed to protect our supplies of sugar is a matter of great importance and deserves the careful attention given to it by the Committee on Agriculture. Every housewife knows the serious effects of a shortage of sugar. We must not expose the American consumer to the dangers of such a shortage and this bill is designed to assure our country of a continuing substantial supply.

The bill will also protect the livelihood of the many workers in the two cane sugar refineries in Philadelphia and in the various other associated industries such as transportation.

In 1964, more than 850,000 tons of raw sugar moved into the Port of Philadelphia on nearly 100 ships. This raw sugar moving into Philadelphia was valued at well over \$100 million.

American Sugar Co. and National Sugar Co. have both played an important role in the business community of Philadelphia since the turn of the century. Their two refineries provide employment for nearly 2,000 people and maintain an annual payroll of nearly \$15 million.

These two up-to-date cane sugar refineries need adequate stable supplies of raw sugar if they are to serve the many consumers, housewives, and industrial users, with the sugar they need. The bill before us would restore the stability of supplies of raw sugar we enjoyed for so many years before the unhappy experience of 1963 and 1964. The disturbances of those years came as a result of the imposition of an import fee. The committee bill before us does not provide for such a fee, but we have been put on notice that an amendment will be offered to restore that fee.

Mr. Chairman, when the import fee amendment is offered I will cast my vote against it. As recently as August 17 President Johnson spoke out against such a fee. If the proposed amendment should pass it would undercut our foreign policy as expressed by the President. I am also fearful that it would mean higher prices for the American consumer.

Mr. Chairman, I support H.R. 11135 with the technical amendments proposed by the Committee on Agriculture.

Mr. McVICKER. Mr. Chairman, the roots of the sugarbeet industry are sunk deeply into the fertile soil of my district in Colorado, as they are, indeed, in the economy of the entire State. Colorado is the largest producer of beet sugar of all the States in the great Rocky Mountain region, and the second largest producer among all the States in the Union.

In my district are 2 of Colorado's 12 beet sugar mills—at Longmont and at Brighton. In fact, nearly a hundred years ago, long before there was a beet sugar industry in Colorado, some far-

sighted members of the Chicago-Colorado colony, a band of courageous pioneers who found the town of Longmont, were urging that the production of sugarbeets and beet sugar would prove to be the salvation of the West.

And so you understand, Mr. Chairman, that I am keenly aware not only of the importance of the beet sugar industry of today to the West, but also of today's urgent needs of the industry. It is that awareness that prompts me, Mr. Speaker, to urge passage of H.R. 11135 because the domestic sugar industry desperately needs the domestic quota provisions of the bill.

The bill provides for some modest increase in marketing rights—on a temporary basis—for the domestic beet sugar producers. The urgent necessity for this modest increase in marketing rights, above what they would be in the present law, came about because of certain events that took place in the sugar world about 2½ years ago.

At that time, an apparent shortage of sugar in the world was having repercussions in the U.S. market, and our Government, in order to assure sugar supplies for our consumers, and help bring down prices, pleaded with the domestic sugar producers, and offered certain encouragements, to produce much greater quantities of sugar than the domestic industry had ever produced before. This, the industry did.

For example, the farmers who grow beets for the two beet sugar factories in my district produced sufficient additional sugarbeets, and the mills so expanded their operations that they produced nearly 10 million pounds more refined sugar in 1963 than in 1962. Ten million pounds of sugar is enough to care for the total sugar needs of 100,000 Americans for an entire year.

This response to the pleas of our Government was typical of the response by sugarbeet growers and the beet sugar companies throughout the West. The additional, immediate production of the beet sugar industry helped to stem the tide, and bring the 1963 sugar price situation under control. The industry was able to market part of that additional production during 1963, because all quotas were administratively increased that year to meet the emergency.

The upward surge in beet sugar production continued in 1964, encouraged by the Government's lifting of all acreage controls for that year. However, when Congress was not given an opportunity, last year, to act on sugar legislation, and provide additional marketing rights for the beet sugar industry, the industry found itself not only geared to a higher level of production, but actually producing many, many millions of pounds more sugar than it was permitted to sell.

Today the sugar silos and the sugar warehouses in my district are literally bulging with sugar that cannot be sold unless we pass this bill, and provide additional marketing rights to the beet sugar industry. And the sugarbeet harvest now is in full swing with stocks of sugar adding to the problem.

The sugarbeet growers in my district took a 10-percent cut in acreage this year, and they face a much more drastic reduction next year unless we pass this bill. Even with the temporarily increased marketing permitted by the bill, another acreage cut is probable; without a law, a cut is inevitable.

Mr. Chairman, I do not believe the beet sugar industry should be further penalized for having responded so well and so affirmatively to our Government's pleas for more production to meet an emergency. I urge immediate passage of H.R. 11135.

Mr. ST GERMAIN. Mr. Chairman, the Findley amendments to the sugar bill now before us appear to me to be deserving of complete support.

These amendments provide: First, that sugar lobbyists—those unseen men who bargain for quotas for their customers—will be outlawed in effect; second, that the U.S. Government will collect an import fee on sugar shipped into this country, the import fee to represent the difference between the 6 cents the United States pays for sugar and the 2-cent-a-pound world price. In other words, this amendment would sop up some of the gravy of the sugar market.

I am appalled at the manner in which we too long have allowed ourselves—we, the Members of Congress—to be used in this sticky sugar mess. Too long, I feel, we have not taken the time and the trouble to really take a close look. If this be self-indictment, so be it.

But now, we have the opportunity to start correcting some of our serious oversights, and I propose to take that opportunity.

Let us look at what a sugar quota does for a country that manages to wangle it from this Congress.

A country that uses lobbyists and gets a quota, let us say, of 25,000 tons of sugar would net a premium of \$2 million—a premium of \$2 million extracted from the consumers of the United States. That \$2 million is made up of the difference between the U.S. artificially supported price of 6 cents a pound and the world price of 2 cents a pound. That figures out to \$80 a ton in premium—and \$80 multiplied by 25,000 is \$2 million—all gouged, not too subtly, from American consumers.

The reforms being proposed today are long overdue, and I will support them wholeheartedly in the interest, not only of the consumers, as important as they are, but also in the hope that by our actions today we can regain control over a situation that must be corrected.

Mr. McMILLAN. Mr. Chairman, we all know that the House Agriculture Committee held extensive hearings on the sugar legislation last year and again this year. This item is one of 224 items that comes under the heading of Agriculture and it was our responsibility as members of the Agriculture Committee to report a sugar bill to the floor of the Congress before Congress adjourns. We fully realize that before Cuba was dominated by Castro that our country purchased approximately 96 percent of our sugar from that country and gave them

a 2-percent incentive in order to help out the economy of that country.

Now since Cuba seems to have a communist dictator we have been trying to divide our foreign sugar quota among as many countries that produce sugar as possible in order that we can always feel certain that we have a dependable source where we could purchase additional sugar should this country become entangled in a war or some other emergency.

Personally, I do not see how the committee could have more equally divided the sugar quotas among the countries that produce sugar even though I have always been of the opinion that some of the smaller countries that depend entirely on the production of sugar in order to keep their economy healthy possibly should have had additional quotas.

I support my chairman, Mr. COOLEY, wholeheartedly in connection with this proposed legislation and hope that the House and the Senate can take favorable action on this bill before the weekend.

I have given thorough study to each quota that was approved by the committee and the proposed quotas that was sent to us by the Department of Agriculture. I cannot see any reason why the Secretary of Agriculture would not approve this bill in its present form and the President could not sign it into law without further delay.

Again, I want to congratulate Chairman COOLEY on his outstanding work in connection with this proposed legislation.

Mr. BYRNE of Pennsylvania. Mr. Chairman, sugar legislation is important to the city of Philadelphia and the State of Pennsylvania. There are two large cane sugar refineries in Philadelphia providing work for thousands of employees. In 1964, more than \$100 million worth of sugar moved into the port of Philadelphia.

Sugar legislation is also a complex matter affecting American agriculture, industry, and consumers. The sugar bill before us is supported by nearly all persons affected and I am happy to support the bill. I am convinced it will be good legislation for Philadelphia and the country as a whole.

I should like to take this opportunity to commend the domestic industry for its efforts in arriving at a mutually acceptable solution. I should like to point out, however, that the established domestic cane sugar refining industry has had to make extensive sacrifices to achieve the compromise. This large domestic industry has given up more than 1 million tons of sugar over the life of this bill. The loss of the right to refine and market this tremendous amount of sugar will cost the domestic cane refining industry and its workers heavily, but the sacrifice was made to permit the beet and mainland cane interests to market their surpluses grown during the past 2 years.

When the period of adjustment has passed, the delicate balance established by the act among the various parts of the sugar industry must be carefully maintained. Future beet and mainland cane surpluses must not be permitted to develop.

As I have stated, I support the bill before us together with the committee amendments. However, the amendment to reimpose confiscatory import fees should be defeated. We have seen the disastrous effects in 1963 and 1964 of tying our domestic market to the so-called world market in sugar. We must not permit our sugar market to be subjected to the wide price fluctuations of the world market again. The import fee amendment should be defeated.

Mr. DINGELL. Mr. Chairman, I rise to voice opposition to the Sugar Act amendments in their present form. The Congress is being asked to enact legislation that would establish an outrageous grab bag program, which has the appearance and aroma of having molded in great part by high-priced peddlers of influence. I am making specific reference to the sugar lobbyists who have been particularly active this year.

From the quota system now being offered, it appears that their labors have not been in vain. The nation-by-nation quota system has turned Uncle Sam into "Uncle Sugar" and approximately 29 sugar-producing countries have been willing to spend \$357,258 in fees over the past year to retain lobbyists to make sure that Uncle Sugar does not forget them. The larger the quota received, the more pure profit gained.

At present prices, the value of the quota premium, that is, the approximate difference between the U.S. price and the world price of raw sugar, is about \$3.50 per hundredweight, or \$70 a ton. The current world price of sugar is about \$2 a hundredweight. The same hundredweight in the U.S. market sells at about \$5.50. In other words, the U.S. price is almost three times higher than what producers could get in any other world market.

Under the proposed program, about 4 million tons of sugar will be purchased under foreign quotas. The pure profit being offered amounts to \$280 million a year or \$1.4 billion for the 5-year term. If this is not high-priced, wide-open profiteering, I would like to know a better scheme. And of course, the entire outrageous plan is ultimately paid for by the American consumer.

We are now about to ask the American consumer to contribute his share to \$50,000-a-year fees obtained by some sugar lobbyists and to the \$280 million a year bonanza grabbed by those foreign countries shrewd enough to bargain for a piece of the sugar pie. One nation, Argentina, under a Department of Agriculture recommendation, was to receive a quota of 63,585 tons based on a yearly consumption rate of 9.7 million tons.

Argentina had not engaged any lobbyist to protect its recommended quota. When the bill was reported out of committee, this quota had been cut to 21,485 tons, with the remainder going to those countries who had retained lobbyists.

It seems absolutely absurd for the various agencies of the U.S. Government to devise all sorts of methods to improve our balance of payments while the Congress is being asked to increase the outflow of American dollars at the rate of \$280 million a year for 5 years.

Even more absurd is the granting of a quota of 10,000 short tons, raw value, of sugar for the calendar year of 1968 and each subsequent year to a country which has yet to plant its first acre.

It is more than evident to myself that the sugar lobbyists have done their work well. They collect fat fees, their clients are assured of windfall profits, the American taxpayer underwrites the cost of the program and all are left bewildered in trying to figure out how much each country receives.

This free-for-all raid on the public purse has to be curtailed and I join with my distinguished colleagues in calling for an end to this unwarranted, ill-conceived program that benefits no one save the high-living profiteers.

Mr. VIVIAN. Mr. Chairman, it is clear that the bill before us, H.R. 11135, offers significant benefits to producers of sugar, to traders in sugar; but what benefits accrue to the vast majority of American families, who pay the annual cost?

The answer, I believe is "None."

Mr. Chairman, the 89th Congress can justly be proud of its record of achievement this year. Let us now add one more achievement: removal of subsidies to traders in sugar. Let us not, in the last few weeks of this year's session, close the books by once again enacting petty special-interest legislation, at the behest of the sugar lobby.

H.R. 11135 would continue an artificially determined, consumer-financed, inflated market price for sugar and sugar products in the United States. The inflated price will cost the American consumer at least \$300 million, probably far more.

Of the almost 10 million tons of sugar we consume in this country annually, only 60 percent is grown domestically—including Puerto Rico.

Forty percent of our sugar is obtained from abroad. But in spite of the fact that we currently pay foreign producers a premium price for this sugar, a price of \$6.85 per hundredweight or almost three times the current net price on the world market, the foreign producers to whom we pay this gift are under no legal obligation to fulfill the assigned quotas. So if the world price for sugar were to rise above the price set by this legislation, foreign producers could demand—and could not be refused—higher prices for their allotment. On the other hand, assuming the world price will remain, as it has, lower than the U.S. sugar price—which is the case, and has been the case the vast majority of the time—the American consumer will continue to pay a "gift tax" to foreign sugar producers. I find this particular "gift tax" indefensible.

Mr. Chairman, recognize that it is important that the world's leading nations, including this Nation, work together to assure high prices for the exportable products of the developing countries. But, Mr. Chairman, to whom abroad do we pay this particular sugar "gift tax?"

The dollars we pay go principally to the long entrenched, landowning families of Latin America often the most

reactionary elements in the political life of the subcontinent. These relatively few families, to whom we donate this gift, furthermore often do not invest their windfall in the economic arteries of their nations; instead, traditionally, they immediately send a sizable fraction of their dollar profits abroad, to a safe haven in Switzerland. Thus, the gift our American consumers make when they purchase sugar and its products, may neither substantially aid economic development in these nations, nor even necessarily help the foreign exchange problems these countries face.

We are told that the high price set for sugar by this bill is required so that the American farmer can survive in competition with foreign producers. This may very well be the case, Mr. Chairman. But let me point out some facts about U.S. sugar production that bear on this question: First, over half of the sugar produced in the United States—including Puerto Rico—is cane sugar. Cane sugar is now produced almost solely on vast, mechanized, corporate-owned land areas. Few little family farmers here. Many of the employees of the corporate farms are migrant workers, whose wages are notoriously low. Thus it is these huge sugar corporations who benefit most from the American consumer's sugar "gift tax."

Furthermore, in addition to receiving a price for their produce which is more than double the world price, American sugar producers also all receive direct subsidy payments. More particularly, the top 25 recipients of direct subsidies—receiving subsidies ranging in amount from over a million dollars to a low of \$260,000—were all corporate cane sugar producers in Florida, Hawaii, Louisiana, and Puerto Rico. Why, I ask, should these particular corporations be subsidized, while others are not?

Mr. Chairman, I cannot, in good conscience, vote for this bill. I cannot vote to saddle the American consumer with a sugar "gift tax," whose proceeds enrich a few Latin American families and a few U.S. cane sugar corporations, yet help virtually no American family farms. I shall vote against H.R. 11135, and I urge my colleagues to do the same.

Mr. GROSS. Mr. Chairman, I am opposed to passage of this sugar bill for the reason, among others, that it is highly sweetened for the foreigners. This is, in fact, another foreign aid bill for it gives to too many foreign countries the productive capacity of American farmers and American industry and labor.

We have heard much in the last few days of how this legislation will stabilize sugar prices to American consumers. It has all the earmarks of stabilizing these prices at high levels, just as did the so-called international coffee agreement. The consumers of this country are paying right through the nose for coffee, despite the assurance of certain Members of Congress that would not be the case. And in the opinion of this Member, U.S. consumers will continue to pay to foreign suppliers nearly three times the world price.

Why, for instance, should any sugar

production quota go to the British-controlled Bahamas where sugar has never before been produced? Let the British develop the sugar industry there and let them take the sugar that is produced. Why should American consumers buy it and pay nearly three times the price of the world market?

In his excellent speech on this bill, the gentleman from Minnesota, Mr. LANGEN, said in effect that midwestern sugarbeet producers and processors will get what amounts to the crumbs off this legislative table. I agree.

And there seems little doubt that this legislation has been a real sugarplum for the lobbyists who have chiseled out the lush quotas for certain foreign countries. Why has there been so much opposition to the amendment by the gentleman from Illinois [Mr. FINDLEY] who seeks only to put a bridle on these highly paid lobbyists? Why these lobbyists, anyway?

Cut it thick or thin, this is another foreign handout that is being taken out of the hides of American consumers and American producers. I refused to be a party to the sellout of our consumers in the coffee deal and I refuse to take consumers and producers to the cleaners through the process of this legislation.

Mr. FOGARTY. Mr. Chairman, the sugar bill before us today really is in the category of a fifth wheel. Who needs it? This bill is a monstrosity. It is even worse than any farm bill that I have seen presented to the Congress in the past 25 years.

Certainly, the sugar consumers of this Nation do not need it. They have been saddled with it for about 20 years now, and all that it has meant has been a much higher price for a vital food product—a higher price that has been reflected in higher prices for all the foods in which sugar is used.

The bill now before us would continue this mockery of congressional sugar control for another 5 years. I oppose its continuation in the most vigorous terms because I feel the sugar allocation scheme has resulted in nothing but higher prices to consumers.

Consumers on the eastern seaboard are now paying—as the direct result of this legislation—at least 4 cents a pound more for sugar than the world price. Sugar producers, both here and abroad, are being paid at the inflated rate of 6 cents a pound when the world price is a bit less than 2 cents.

I am well aware of the arguments made by the proponents of this legislation that sugar prices would climb to unimaginable heights if we became involved in a world conflict. But, there is nothing in this legislation that would prevent such skyrocketing prices in any event.

In other words, our consumers are paying—and have been paying—an inflated price for sugar for about 20 years to protect them, supposedly, against the possibility of an emergency inflated price that probably would happen anyway.

This sugar bill has cost our consumers millions of dollars, it has placed this Congress in an untenable position, and it has turned sugar into a sticky subject, to say the least.

My vote is against this kind of legislation, or anything like it. Let us throw open this great consumer market of ours.

Mr. HAGEN of California. Mr. Chairman, I regret that the necessity of my presence yesterday in California prevented my earlier participation in the debate on sugar legislation.

My purpose in arising is to clarify some points for the record and to argue for an amendment imposing a suitable import fee on foreign sugar. My points of clarification are the following:

First. Section 10 of the bill amending section 302 of the Sugar Act of 1948, contains a provision for a reservation of acreage of domestic sugarcane from the sugarcane allotment acreage for the purpose of establishing production and refining in new areas. This amendment was adopted at the request of the gentleman from California [Mr. TUNNEY] to permit the ultimate development of sugarcane production in the Imperial Valley of California for processing through an existing sugarbeet processing plant which would be further equipped to process sugarcane. This amendment was drafted in consultation with the Department of Agriculture and would permit an assignment of acreage to the Imperial Valley for such processing and marketing by the sugar processor involved although such processor is already in the beet sugar business.

Second. Under existing law the Secretary of Agriculture has authority to set quarterly quotas on the importation of foreign sugar. It is not the purpose or effect of this legislation to subtract from that authority. It was clearly demonstrated before our committee that this existing authority is needed to carry out the price stabilization feature of the Sugar Act and, therefore, this legislation does not diminish that authority.

Third. A statement was made on the floor the other day by the gentleman from Hawaii [Mr. MATSUNAGA] which might seem to indicate that only through the passage of this legislation would the domestic beet and cane industry be permitted to market rather large supplies of refined sugar being held in storage by domestic beet and cane refiners—added sugar which was produced and refined at the specific request of the Secretary of Agriculture when there was an actual or potential shortage of foreign sugar in 1963. Such implication is not correct. If for some reason no sugar legislation is passed, such sugar could be marketed in a proper set of circumstances. I refer to the possibility that the Secretary of Agriculture could raise the estimate of the level of consumption requirements above a 9,700,000 figure. Increments above that figure could result in increasing the amount of domestic cane and beet sugar which would be marketable and the larger the increase the larger the marketing.

Finally I would express support for restoration of the authority to impose an import fee which would recapture for the Treasury part of the difference between the U.S. price and the world price.

Mr. MATSUNAGA. Mr. Chairman, each time that sugar legislation is con-

sidered by the Congress we hear the same old charges. In recent weeks the columns of the press and the CONGRESSIONAL RECORD have been filled with accounts of how the American consumer is being victimized by our national sugar program. It would seem that the more than 30 years of successful operation of the U.S. sugar program is its own defense, and that these remarks are therefore unnecessary. However, permit me to reiterate that time and again this program has been declared to be one of the most successful of all farm programs—accomplishing its aims and goals with an astonishing degree of satisfaction. It has provided a necessary commodity to the American consumer at a reasonable and remarkably stable price; it has permitted the maintenance of a healthy American sugar industry, so essential to our long-term needs; and it has permitted friendly foreign countries to participate equitably in our domestic market—fostering international trade and assuring an adequate store of sugar.

The charge is made that the act is in direct conflict with U.S. objectives in foreign trade. The fact is that the administration supports the Sugar Act; that the Departments of Agriculture and State support the Sugar Act; that the act itself, by section 411, provides for the issuance of regulations by the Secretary of Agriculture as may be required to carry out this country's obligations under the International Sugar Agreement for the regulation and marketing of sugar. The Sugar Act is in harmony with our foreign trade policy, not in opposition to its objectives.

The charge is also made that the sugar program imposes a cost of \$700 million on U.S. consumers. Underlying this figure are a whole series of implicit assumptions none of which have validity:

First. The assumption is made that the entire domestic sugar industry should either sell its sugar at the present world market price of \$2 a hundred pounds or quietly liquidate. A delivered price of \$2 a hundred pounds for sugar is far below the cost of production in any area in the world.

Second. The assumption is made that the United States, if it chose to do so, could secure its entire supply of sugar—about 10 million tons per year—from foreign countries on the so-called world market.

Third. The assumption is made that if the United States were to attempt to buy all of its sugar on the world market the price would stay right where it is now, near \$2 per hundred pounds.

Individually, each of these assumptions is demonstrably wrong. In combination they are absurd. Any effort to compute the costs of the sugar program should compare costs under realistic alternatives, not under conditions which are inherently impossible. The \$700 million figure is a mere exercise in arithmetic, not an estimate at all.

What would it cost to liquidate the domestic sugar industry? What would it cost to be wholly dependent on foreign suppliers? What would our national exposure be if we had to secure all of our sugar in a market largely influenced by

Communist nations? I do not know the answers to these questions, but these are the questions that would have to be faced up to if our present sugar program were to be abandoned.

The charge is made that under the sugar program large, and by implication unreasonable, payments are made to U.S. sugar producers. Wholly ignored is the fact that an excise tax on the manufacture of sugar, paid by refiners and beet processors, is an integral part of the sugar program. Since 1937 the total amount collected under this tax has exceeded cost of producer payment by \$55 million. The U.S. sugar program does not represent a cost or burden to this Government, but on the contrary it returns each year substantially more than is paid out.

Finally, the charge is made that the sugar program is responsible for prices to the American homemaker which are unreasonably high. The Sugar Act accepts as its price objective a price for raw sugar directly related to the parity index determined under the Agricultural Adjustment Act of 1938. The Department of Agriculture has been generally successful in achieving this objective. The result has been that refined sugar prices, which bear a direct relationship to raw sugar prices, have regularly met the standards of fairness which are built into the concept of parity pricing.

It is no criticism of pricing fairness to point to a price in another country, whether it be Canada or elsewhere, which is lower. Canada was used as an example, however, and it may be in order to look a little at its sugar situation. Much of its sugar is being bought, at admittedly low prices, from Cuba. Is this desired for the United States? Is this the way to reduce the price of sugar in the U.S. grocery stores? Canada's whole cost structure, its wages, its per capita income, its gross national product, are at a lower level than in the United States. Is it any surprise, then, that particular commodities may have a slightly lower price in Canada than here?

An objective analysis of the facts cannot but lead to the conclusion that the Sugar Act has well served the national interest; that it has protected the interests of the United States consumers while at the same time it has helped a limited domestic sugar producing industry to survive; and that the Sugar Act should be extended as proposed in H.R. 11135.

I should like to address myself briefly to the two amendments permitted under the rule. First, that which would cancel the quota of any country which is represented by any person required to be registered under the Foreign Agents Registration Act. The gentleman from Louisiana [Mr. WILLIS] in his able presentation has pointed out that this is not a proper subject for inclusion in the Sugar Act. The activities of all persons representing foreign interests are regulated by separate statutes. If these statutes are not adequate they should be changed—but not by amending the Sugar Act.

Second, the Committee on Agriculture, by an overwhelming majority, favors the elimination of the import fee on foreign sugar. The proposed amendment, on the basis of present prices, would mean that this country would be asking friendly nations to supply sugar to this market at substantially below the cost of production in practically every instance. It could well mean that, under certain conditions, this country could not obtain the required supplies. Both the State Department and the Department of Agriculture are opposed to the inclusion of the import fee in this legislation. The President has, in accordance with a promise made to the ambassadors from member countries of the Organization of American States, recommended against the fee. And it should be remembered that a much more modest fee was under consideration when this decision was made—not the confiscatory fee provided in the amendment offered by the gentleman from Illinois.

As Representative from our greatest sugar-producing State, and as a member of the Committee on Agriculture, I urge the passage of the bill as reported by the committee—and the defeat of the Findley amendments.

Mr. COHELAN. Mr. Chairman, once again we are being asked, in the closing hours of a long congressional session, to approve a bill which has vast implications for our relations with more than a dozen countries as well as for our own domestic economy.

This, of course, is nothing new. Amendments to the Sugar Act have traditionally been called up as one of the last legislative items of a year. They are presented under rules which prohibit perfecting amendments and always with the thinly veiled threat that if they are not passed, havoc will be wreaked on the sugar market. To say the very least, this is neither a sensible nor an adequate way in which to write important legislation.

Mr. Chairman, at one time it was argued that high domestic sugar prices were necessary to guarantee a stable supply of sugar and also to provide a form of foreign aid. Today the more common argument is that high prices are necessary to protect domestic producers. Let me make it clear that I do not object to these stated reasons. Distinguished agricultural economists, as a matter of fact, have advised me that this program has worked reasonably well in several respects.

But I am concerned that after relatively little opportunity for consideration by the House, and without the opportunity for the House to exercise its will on the substance of this program, we are providing an extension—not for 1 or 2 years—but for 5 years.

Some knowledgeable people have argued that since sugar quotas have substantial significance for our relations with a number of countries they should be drawn by the administration. Others have argued that we should return to the global quota system rather than the grab-bag system of country quotas which we find in this bill today. There may even be some merit in this latter point,

but whatever the system I do feel that Congress should retain ultimate jurisdiction.

But if Congress is to exercise this responsibility it must be prepared to do so in a responsible manner. This means that sugar legislation should be reported to the Congress with ample time remaining in the session for it to act wisely and thoughtfully. It means that sugar legislation should be reported under rules which will permit revisions and changes deemed appropriate by a majority of the Members of Congress. It means, in short, that Congress should be given a reasonable opportunity to exercise its proper legislative responsibilities.

The questions which have been raised about this bill make very clear, among other things, that we need to make a thorough review of our entire sugar policies. The present hodgepodge—the present collection of quotas, taxes, subsidies, and artificial prices—is certainly an inferior and inadequate substitute for a clearly thought through program which could benefit both consumers and producers.

Mr. Chairman, I intend to vote against this bill today as an expression of my disapproval of the way in which it has been considered and presented and in the sincere hope that Congress will make the review, that it will make the study, that it will take the long look which this whole legislative area so badly needs.

Mr. CLEVELAND. Mr. Chairman, I am totally opposed to the bill, H.R. 11135, extending the Sugar Act. Numerous broad questions need to be answered in connection with this bill. The present program does not expire until the end of next year. There is no need to rush this legislation through at this time. There is plenty of time to go into the matter thoroughly next year and seek answers to those questions. The present haste is unseemly and only adds fuel to the cloud of suspicion surrounding the sugar program and the question of how quotas are allotted to the various countries.

This is a deep and complicated subject. The sugar program costs American consumers some \$700 million every year. Much of this flows, in the form of subsidies, into the pockets of wealthy sugar interests overseas. It keeps up the price of sugar to the American consumer. It is carried on in the name of orderly marketing but serious questions have been raised indicating that the program may not be necessary at all to maintain markets.

There is the sordid matter of lobbying by foreign governments and allegations of huge lobbying fees paid to representatives of those governments, as well as allegations of influence peddling and political payoffs. Congress should get to the bottom of the entire sugar story before it agrees to perpetuate this program. I strongly urge that this bill be defeated and that we return to the subject next year for a thorough look.

Mr. ROYBAL. Mr. Speaker, I would like to take this opportunity to discuss briefly some aspects of the bill now before the House, H.R. 11135, the Sugar Act Amendments of 1965.

As you know, this legislation is pre-

sented to the Members of the House for their consideration on a virtual take-it-or-leave-it, now-or-never basis, late in the session when everyone is thinking about adjournment, and without any real opportunity to offer substantive amendments to help improve what is admittedly a most complex and far-reaching measure.

Unfortunately, this seems to be the annual ritual for congressional consideration of the sugar bill. In my opinion, however, it does little to contribute to mature or thoughtful deliberation, or to assure adequate protection for the vital interests of the American consumer. Nor does it help us promote the interests of the workers and producers in the U.S. domestic sugar industry.

Congress is asked to take this legislation on "faith" in the unerring wisdom of the majority of the Agricultural Committee, and without a genuine chance to examine, analyze, and perhaps change the bill in any meaningful way.

But I would say that "faith" is a rather poor substitute for such essential examination and analysis.

This year, serious charges have been made regarding the propriety of allowing highly paid lobbyists for foreign sugar interests to allegedly influence the drafting of this legislation.

In addition, the procedures and criteria apparently used by the committee in establishing the lucrative foreign sugar quotas has been brought into question.

Finally, there is little doubt that the foreign policy implications of the allocation of these valuable foreign quotas have not been explored as adequately as this important subject requires.

Also, I would like to know if it is true, as has been charged, that the extra "quota premium" paid annually by American consumers for our foreign sugar purchases will amount to some \$280 million a year.

If this is true, and I have heard no one deny it, then, over the 5-year life of the legislation, U.S. homemakers will pay nearly \$1½ billion more than the established world price for the sugar we buy abroad on the world market.

Such a ridiculous situation results from the fact that the American premium price paid to foreign suppliers—in order to artificially support the price of domestic sugar—is presently almost three times the world price.

In my opinion, this is profiteering on a grand scale, with every housewife and consumer in the country forced to pick up the tab through an increased food budget, adding unnecessarily to an already high cost of living.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. BURKE, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, pursuant to House Resolution 598, he reported the bill back to the House

with sundry amendments adopted in the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The question is on the amendments.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

MOTION TO RECOMMIT

Mr. HARVEY of Indiana. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. HARVEY of Indiana. I am, Mr. Speaker.

The SPEAKER. The gentleman qualifies.

The Clerk read as follows:

Mr. HARVEY of Indiana moves to recommit the bill H.R. 11135 to the Committee on Agriculture with instructions to report the same back forthwith with the following amendment: Page 21, line 8, strike out lines 8 and 9 and insert in lieu thereof the following:

"Sec. 9. Effective January 1, 1966, section 213 of such Act is amended to read as follows: "SEC. 213. (a) As a condition for importing sugar into the Continental United States pursuant to sections 202(c) and 204 of this Act, an import fee shall be paid to the United States, which fee shall be not more than 50 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar at a level that will fulfill the domestic price objective set forth in section 201, exceeds the prevailing world market price for raw sugar (adjusted for freight to New York, and most favored nation tariff): *Provided, however,* That such import fee for raw sugar shall not exceed 1 cent per pound, raw value. The fees provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly except the import fee imposed on any direct consumption sugar shall be not more than one-half of 1 cent per pound more than the import fee imposed on raw sugar under this paragraph. Such fees shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary. The Secretary shall promulgate regulations permitting any importer of sugar to apply for a quota set-aside, furnishing such security as the Secretary may require, which will fix the import fee for any sugar under his control to be imported at any time during a calendar year at the rate then in effect for such calendar year. The Secretary shall determine, from time to time, the rate of the import fee and the initial such determination shall be made by October 1 in each year for the succeeding calendar year, except for the calendar year 1966, in which case such determination shall be made at the earliest practicable date.

"(b) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

Mr. GERALD R. FORD. Mr. Speaker, I ask unanimous consent that I may in-

quire whether the Clerk properly read "50 per centum" or "1 cent" in the motion to recommit. I just wish to be sure I heard correctly.

The SPEAKER. The Chair understands the Clerk read "not more than 50 per centum."

Mr. GERALD R. FORD. Or a 1-cent maximum?

The SPEAKER. It says "not more than one-half of 1 cent."

The question is on the motion to recommit.

The question was taken; and the Speaker announced that the noes appeared to have it.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 160, nays 230, not voting 41, as follows:

[Roll No. 366]

YEAS—160

Adair	Gibbons	Morton
Anderson, Ill.	Goodell	Mosher
Arends	Griffin	Nedzi
Ashbrook	Gross	Nelsen
Ayres	Grover	O'Hara, Mich.
Battin	Gubser	O'Konski
Belcher	Gurney	Pelly
Bennett	Hagen, Calif.	Pike
Berry	Haley	Pirnie
Betts	Hall	Poff
Bow	Halleck	Quillen
Bray	Halpern	Race
Broomfield	Hansen, Idaho	Reid, Ill.
Broyhill, N.C.	Harsha	Reid, N.Y.
Broyhill, Va.	Harvey, Ind.	Reifel
Buchanan	Harvey, Mich.	Reinecke
Byrnes, Wis.	Hechler	Reuss
Cahill	Horton	Rhodes, Ariz.
Callaway	Hutchinson	Robison
Cameron	Ichord	Roudebush
Carter	Irwin	Roush
Cederberg	Johnson, Pa.	Rumsfeld
Chamberlain	Jonas	Ryan
Clancy	Karth	St Germain
Cleveland	Kastenmeier	Schmidhauser
Collier	Kee	Schneebeli
Colmer	Keith	Schweiker
Conable	Kelly	Shipley
Conte	King, N.Y.	Shriver
Conyers	Kunkel	Smith, N.Y.
Corbett	Laird	Smith, Va.
Cramer	Langen	Stafford
Cunningham	Latta	Stallbaum
Curtin	Lipscomb	Stanton
Curtis	Love	Sullivan
Dague	McCarthy	Talcott
Davis, Wis.	McCulloch	Teague, Calif.
Derwinski	McDade	Thomson, Wis.
Devine	McEwen	Todd
Dickinson	Macdonald	Tuck
Dingell	MacGregor	Udall
Dole	Machen	Utt
Duncan, Tenn.	Mackie	Van Deerlin
Dyal	Marsh	Vivian
Ellsworth	Martin, Ala.	Walker, N. Mex.
Erlenborn	Martin, Mass.	Watkins
Feighan	Mathias	Watson
Findley	May	Weltner
Fino	Meeds	Whalley
Fogarty	Michel	Widnall
Ford, Gerald R.	Minshall	Wylder
Ford,	Mize	Younger
William D.	Moore	Zablocki
Fulton, Pa.	Morris	

NAYS—230

Abbutt	Bell	Chelf
Abernethy	Boggs	Clark
Adams	Boland	Clevenger
Addabbo	Bolling	Cohelan
Albert	Bonner	Cooley
Anderson,	Brademas	Corman
Tenn.	Brooks	Oraley
Andrews,	Brown, Calif.	Culver
N. Dak.	Burke	Daddario
Annunzio	Burleson	Daniels
Ashley	Burton, Calif.	Davis, Ga.
Ashmore	Burton, Utah	Dawson
Aspinall	Byrne, Pa.	de la Garza
Baldwin	Cabell	Deaney
Bandstra	Callan	Dent
Barrett	Carey	Denton
Bates	Casey	Diggs
Beckworth	Celler	Donohue

Dorn	Johnson, Calif.	Price
Dow	Johnson, Okla.	Pucinski
Dowdy	Jones, Ala.	Purcell
Downing	Jones, Mo.	Randall
Dulski	Karsten	Redlin
Duncan, Oreg.	Keogh	Resnick
Edmondson	King, Calif.	Rhodes, Pa.
Edwards, Ala.	King, Utah	Rivers, Alaska
Edwards, Calif.	Kirwan	Rodino
Everett	Kluczynski	Rogers, Colo.
Evins, Tenn.	Kornegay	Rogers, Fla.
Fallon	Krebs	Rogers, Tex.
Farbstein	Landrum	Ronan
Farnsley	Leggett	Roncallo
Farnum	Lennon	Rooney, N.Y.
Fasceil	Long, Md.	Rooney, Pa.
Fisher	McDowell	Rosenthal
Flood	McFall	Rostenkowski
Flynt	McGrath	Roybal
Foley	McMillan	Satterfield
Fountain	McVicker	St. Onge
Fraser	Mackay	Scheuer
Friedel	Madden	Schisler
Fuqua	Mahon	Scott
Gallagher	Maillard	Secrest
Garmatz	Martin, Nebr.	Selden
Gathings	Matsunaga	Senner
Gettys	Matthews	Sickles
Glaimo	Miller	Sikes
Gilbert	Mills	Slak
Gilligan	Minish	Slack
Gonzalez	Mink	Smith, Iowa
Grabowski	Moeller	Steed
Gray	Monagan	Stephens
Green, Pa.	Moorhead	Stratton
Greigg	Morgan	Stubblefield
Grider	Morrison	Sweeney
Hagan, Ga.	Morse	Taylor
Hamilton	Moss	Teague, Tex.
Hamley	Multer	Tenzer
Hanna	Murphy, Ill.	Thompson, N.J.
Hansen, Iowa	Murphy, N.Y.	Trimble
Hansen, Wash.	Murray	Tunney
Harris	Natcher	Tupper
Hathaway	Nix	Tuten
Hawkins	O'Brien	Ullman
Hébert	Olsen, Mont.	Vanik
Helstoski	Olson, Minn.	Vigorito
Henderson	O'Neal, Ga.	Waggonner
Herlong	O'Neill, Mass.	Watts
Hicks	Ottenger	White, Tex.
Holland	Passman	Whitener
Howard	Patten	Whitten
Hull	Pepper	Williams
Hungate	Perkins	Willis
Huot	Philbin	Wilson,
Jacobs	Pickle	Charles H.
Jarman	Poage	Wright
Jennings	Pool	Yates
Joelson	Powell	

NOT VOTING—41

Andrews,	Fulton, Tenn.	Saylor
George W.	Green, Oreg.	Skubitz
Andrews,	Griffiths	Smith, Calif.
Glenn	Hardy	Springer
Baring	Hays	Staggers
Bingham	Holifield	Thomas
Blatnik	Hosmer	Thompson, Tex.
Bolton	Lindsay	Toll
Brock	Long, La.	Walker, Miss.
Clausen,	McClory	White, Idaho
Don H.	O'Hara, Ill.	Wilson, Bob
Clawson, Del	Patman	Wolff
Dwyer	Quie	Wyatt
Evans, Colo.	Rivers, S.C.	Young
Frelinghuysen	Roberts	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Springer for, with Mr. Bingham against.

Mrs. Dwyer for, with Mr. White of Idaho against.

Mrs. Griffiths for, with Mr. Staggers against.

Mr. Walker of Mississippi for, with Mr. Toll against.

Mr. McClory for, with Mr. Long of Louisiana against.

Mr. Glenn Andrews for, with Mr. Hays against.

Until further notice:

Mr. George W. Andrews with Mr. Brock.

Mr. Thomas with Mr. Saylor.

Mr. Rivers of South Carolina with Mr. Bob Wilson.

Mr. Hollifield with Mr. Hosmer.
 Mr. O'Hara of Illinois with Mr. Del Clawson.
 Mr. Roberts with Mr. Frelinghuysen.
 Mr. Hardy with Mr. Quie.
 Mr. Patman with Mr. Don H. Clausen.
 Mr. Young with Mr. Smith of California.
 Mr. Blatnik with Mrs. Bolton.
 Mr. Evans of Colorado with Mr. Wyatt.
 Mrs. Green of Oregon with Mr. Skubitz.
 Mr. Wolff with Mr. Lindsay.
 Mr. Fulton of Tennessee with Mr. Baring.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. LAIRD. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 246, nays 147, not voting 39, as follows:

[Roll No. 367]

YEAS—246

Abbutt	Fascell	Mailliard
Abernethy	Feighan	Martin, Mass.
Adams	Fisher	Martin, Nebr.
Addabbo	Flood	Mathias
Albert	Flynt	Matsunaga
Anderson, Tenn.	Foley	Matthews
Andrews, N. Dak.	Ford, Gerald R.	May
Annunzio	Fountain	Meeds
Arends	Friedel	Miller
Ashley	Fuqua	Mills
Ashmore	Garmatz	Mink
Aspinall	Gathings	Mize
Ayres	Gettys	Monagan
Baldwin	Gialmo	Moore
Bandstra	Gilbert	Morgan
Barrett	Gilligan	Morrison
Bates	Gonzalez	Morse
Battin	Grabowski	Moss
Beckworth	Gray	Multer
Belcher	Green, Pa.	Murphy, Ill.
Bell	Greigg	Murphy, N.Y.
Bennett	Grider	Murray
Betts	Griffin	Natcher
Boggs	Gubser	Nix
Boland	Hagan, Ga.	O'Brien
Bonner	Hagen, Calif.	Olsen, Mont.
Brooks	Halleck	Olson, Minn.
Brown, Calif.	Hanley	O'Neal, Ga.
Broyhill, Va.	Hanna	O'Neill, Mass.
Burke	Hansen, Idaho	Passman
Burleson	Hansen, Iowa	Pelly
Burton, Calif.	Hansen, Wash.	Pepper
Burton, Utah	Harris	Perkins
Byrne, Pa.	Harvey, Mich.	Philbin
Byrnes, Wis.	Hathaway	Pickle
Cabell	Hawkins	Pirnie
Callan	Hébert	Poage
Carey	Henderson	Poff
Casey	Herlong	Pool
Cederberg	Hicks	Price
Celler	Holland	Purcell
Chamberlain	Horton	Randall
Clark	Hull	Redlin
Colmer	Hungate	Reinecke
Conte	Hutchinson	Rhodes, Ariz.
Cooley	Ichord	Rhodes, Pa.
Craley	Jarman	Rivers, Alaska
Culver	Jennings	Rogers, Colo.
Curtin	Johnson, Calif.	Rogers, Fla.
Daddario	Johnson, Okla.	Rogers, Tex.
Dague	Johnson, Pa.	Ronan
Daniels	Jones, Mo.	Roncalio
Davis, Ga.	Karsten	Rooney, N.Y.
Dawson	Keith	Rooney, Pa.
de la Garza	Keogh	Rosenthal
Delaney	King, Calif.	Rostenkowski
Dent	King, Utah	St. Onge
Dole	Kirwan	Scott
Donohue	Kluczynski	Selden
Dorn	Kornegay	Senner
Dow	Laird	Shriver
Dowdy	Landrum	Sickles
Downing	Langen	Sisk
Dulski	Latta	Slack
Duncan, Oreg.	Leggett	Smith, Iowa
Edmondson	Lennon	Smith, N.Y.
Edwards, Ala.	McDade	Smith, Va.
Edwards, Calif.	McFall	Stafford
Ellsworth	McMillan	Staggers
Evans, Colo.	McVicker	Steed
Everett	Macdonald	Stephens
Evins, Tenn.	Machen	Stratton
Fallon	Mackay	Stubblefield
	Madden	Sweeney
	Mahon	Talcott

Taylor
 Teague, Calif.
 Teague, Tex.
 Tenzer
 Trimble
 Tuck
 Tunney
 Tupper

Tuten
 Ullman
 Utt
 Vigorito
 Waggonner
 Watson
 Watts
 White, Tex.

Whitener
 Whitten
 Williams
 Willis
 Wilson,
 Charles H.
 Wright
 Younger

NAYS—147

Adair
 Anderson, Ill.
 Ashbrook
 Berry
 Bolling
 Bolton
 Bow
 Brademas
 Bray
 Broomfield
 Broyhill, N.C.
 Buchanan
 Cahill
 Callaway
 Cameron
 Carter
 Chelf
 Clancy
 Cleveland
 Clevenger
 Cohelan
 Collier
 Conable
 Conyers
 Corbett
 Corman
 Cramer
 Cunningham
 Curtis
 Davis, Wis.
 Denton
 Derwinski
 Devine
 Dickinson
 Diggs
 Dingell
 Duncan, Tenn.
 Dyal
 Erlenborn
 Farstein
 Farnsley
 Farnum
 Findley
 Fino
 Fogarty
 Ford
 William D.
 Fraser
 Fulton, Pa.
 Gallagher

NOT VOTING—39

Andrews,
 George W.
 Andrews,
 Glenn
 Baring
 Bingham
 Blatnik
 Brock
 Clausen,
 Don H.
 Clawson, Del
 Dwyer
 Frelinghuysen
 Fulton, Tenn.
 Green, Oreg.
 Griffiths
 Hardy
 Hays
 Hollifield
 Hosmer
 Lindsay
 Long, La.
 McClory
 O'Hara, Ill.
 Patman
 Quie
 Rivers, S.C.
 Roberts
 Saylor
 Skubitz
 Smith, Calif.
 Springer
 Thomas
 Thompson, Tex.
 Toll
 Walker, Miss.
 White, Idaho
 Wilson, Bob
 Wolff
 Wyatt
 Young

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Bingham for, with Mr. Roberts against.
 Mr. White of Idaho for, with Mrs. Griffiths against.

Mr. Long of Louisiana for, with Mrs. Green of Oregon against.

Mr. Bob Wilson for, with Mr. Glenn Andrews against.

Mr. Smith of California for, with Mrs. Dwyer against.

Mr. Quie for, with Mr. McClory against.

Mr. Don H. Clausen for, Mr. Springer against.

Mr. Hosmer for, with Mr. Walker of Mississippi against.

Until further notice:

Mr. Rivers of South Carolina with Mr. Brock.

Mr. Blatnik with Mr. Frelinghuysen.

Mr. George W. Andrews with Mr. Skubitz.

Mr. Baring with Mr. Del Clawson.
 Mr. Patman with Mr. Saylor.
 Mr. Hardy with Mr. Wyatt.
 Mr. Hollifield with Mr. Lindsay.
 Mr. O'Hara of Illinois with Mr. Fulton of Tennessee.

Mr. Young with Mr. Wolff.

Mr. Thomas with Mr. Toll.

Mr. Hays with Mr. Thompson of Texas.

Mr. COHELAN changed his vote from "yea" to "nay."

Messrs. PHILBIN and CONTE changed their vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. COOLEY. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their remarks on the bill just passed, H.R. 11135.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 695. A joint resolution making continuing appropriations for the fiscal year 1966, and for other purposes.

The message also announced that the Senate had passed a concurrent resolution of the following title, in which the concurrence of the House is requested:

S. Con. Res. 61. A concurrent resolution to allow the viewing of the U.S. Information Agency film "Adlai Stevenson the Ambassador" at the Auditorium Theater in Chicago, Ill., on or about October 24, 1965.

PERSONAL ANNOUNCEMENT

Mr. CHAMBERLAIN. Mr. Speaker, last week my duties as a member of the U.S. delegation to the NATO Parliamentary Conference in New York City precluded my participation in final consideration of several bills, on October 7 and 8. Had I been present, I would have voted "yea" on rollcall No. 356, "nay" on rollcall No. 357, and "nay" on rollcall No. 359.

WATER CONSERVATION MONTH

Mr. McCULLOCH. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 671) to authorize the President to proclaim the month of November as "Water Conservation Month."

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

Mr. GROSS. Mr. Speaker, reserving the right to object, what is this resolution?

Mr. McCULLOCH. Mr. Speaker, this resolution authorizes the President to

issue a proclamation naming November 1965 as "Water Conservation Month." The necessity thereof, of course, comes by reason of the prolonged drought in so many places in the United States, and it was thought proper that this resolution be offered today.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There being no objection, the Clerk read the House joint resolution, as follows:

H.J. Res. 671

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized and requested to issue a proclamation designating the month of November 1965 as "Water Conservation Month" in recognition of the importance of water conservation to the maintenance of public health and the national economy.

Mr. McCULLOCH. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McCULLOCH: After the word "November" in line 5, insert a comma and the figure "1965".

The amendment was agreed to.

The House joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AGRICULTURAL AGENCIES APPROPRIATION BILL

Mr. WHITTEN. Mr. Speaker, I ask unanimous consent that the conferees on the bill H.R. 8670, appropriation bill for the agricultural agencies, may have until midnight tomorrow night to file a conference report on the bill.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

CORRECTION OF ROLL CALL

Mr. ADAIR. Mr. Speaker, on roll call No. 362 I am recorded as being absent. I was present and answered to my name, and I ask unanimous consent that the Journal and Record be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. GREEN of Pennsylvania. Mr. Speaker, on roll call No. 366 I am recorded as being absent. I was present and voted "nay," and I ask unanimous consent that the Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

ORGANIZATIONS PROVIDING FUNDS FOR TAX EXEMPT SAVINGS INSTITUTIONS

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 327) to

amend section 501(c)(14) of the Internal Revenue Code of 1954 to exempt from taxation certain nonprofit corporations and associations operated to provide reserve funds for domestic building and loan associations, which was unanimously reported by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object, in order that we may have an explanation of the bill I reserve the right to object, but I will be glad to yield to the gentleman from Missouri [Mr. CURTIS].

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. CURTIS. Mr. Speaker, there is a difference of opinion on procedure here which I will be glad to explain for the Record. I will object to this bill being considered, and other bills that were on the calendar to be brought up by unanimous consent today. So I object.

Mr. BYRNES of Wisconsin. Mr. Speaker, I think it would be appropriate, this bill having been listed for a considerable period of time for consideration today, to at least know something of the background of the merits of the legislation in connection with any action that the House might take on it, or any individual might take.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Missouri.

Mr. CURTIS. The point is, in my judgment under the circumstances existing in the Committee on Ways and Means, these matters should not be considered under unanimous consent, and in order not to prolong this I object.

Mr. Speaker, I am distressed by the developments in the Ways and Means Committee which have led me to object to these bills being considered under unanimous consent procedure.

These bills were voted out of the Ways and Means Committee with no negative votes and the chairman properly scheduled them on the whip notice to be considered under unanimous consent. However, these bills and some before them, and some still under consideration by the House Ways and Means Committee, have all been considered under the same set of circumstances referred to frequently as the consideration of members bills.

The "members bills" procedures followed by the Ways and Means Committee for a number of years has always bothered me greatly because no standard set of procedures or guidelines have been established to guide the members on the merits of the bills to be considered. Essentially the procedure is for each member of the Ways and Means Committee to list with the clerk of the committee one or two or more bills he would like to have called up and considered by the committee for passage. It is generally assumed that the bills to be called up will be relatively simple and reasonably noncontroversial. The bills

are called in order of seniority on the committee.

Aside from the lack of clearly established guidelines for the consideration of these bills there has grown up an unpleasantness when a member objects to a bill called up by another member to the extent that on one particular occasion one member about whose bill I had expressed grave reservations stated before the committee. "Well, just wait until a bill with your name on it appears." He later apologized to me for these remarks. However, in a way, I was happy to have what had been clearly under the surface feelings out in the open. I stated that that under those circumstances I would have to object to all bills considered under the "members bills" procedure. Not only was the procedure poor but it created a tendency to have "logrolling," whether or not actual logrolling took place or not.

After this episode which occurred last year I suggested to the chairman that we either abolish the "Members bills" procedure or establish some clear guidelines as to how the matter would be handled. Nothing definitive has been done.

Today, as we continued on the list of "Members bills" one came up which had negative reports from four of the executive departments and agencies concerned with the legislation. The issue itself was at the present time awaiting court decision. Accordingly I objected. Instead of passing on to the next bill the procedures were followed to make it clear that I was the only Member objecting. I stated if it was the purpose to make it clear that I was the oddball on the committee who objected when merit suggested an objection was in order I would have to accept this role.

I notified the chairman on the floor that under the circumstances I would have to object to the bills which were scheduled to be taken up under unanimous consent and which previously had been voted out by the committee under the "Members bills" procedure.

Some of these bills have merit. They can be taken up on the Suspension Calendar if the chairman so chooses, but I cannot any longer give even my consent by my silence to this method for considering and handling legislation.

TAX TREATMENT OF EXPROPRIATION LOSS RECOVERIES

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 6319) to amend the Internal Revenue Code of 1954 to provide for treatment of the recoveries of losses arising from expropriation, intervention, or confiscation of properties by governments of foreign countries.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object—

Mr. CURTIS. Mr. Speaker, I object.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
TO BE QUOTED OR CITED)

Issued Oct. 15, 1965
For actions of Oct. 14, 1965
89th-1st, No. 192

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HIGHLIGHTS: House passed supplemental appropriation bill. House passed bill to permit certain marketing orders to provide for paid advertising. Rep. Hall discussed sugar bill and inserted Secretary's statement. Rep. Langen inserted Republican task force statement on world food problem. Several Reps. introduced and Reps. Rumsfeld and Langen discussed resolutions to establish U.S. World Food Study and Coordinating Commission.

HOUSE

1. SUPPLEMENTAL APPROPRIATION BILL. Passed, 242-100, with amendment H. R. 11588, which includes several USDA items as noted in Digest 191. pp. 26008-46
2. PUBLIC WORKS APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 9220. pp. 26004-8
3. MARKETING ORDERS. Passed S. 2092, to permit marketing orders applicable to various fruits and vegetables to provide for paid advertising, with the language of H. R. 10206. p. 26047
4. SUGAR. Rep. Hall discussed the sugar bill and inserted Secretary's ~~statement~~ statement recommending changes in the bill. pp. 26050-1
5. FOOD. Rep. Langen inserted and discussed a statement by a Republican task force on the world food problem. pp. 26057-8

6. FISH CONSERVATION. Concurred in the Senate amendments to H. R. 23, to authorize Interior to initiate with the States a cooperative program for conservation, development, and enhancement of anadromous fish. This bill will now be sent to the President. p. 26047
7. COMMITTEE ASSIGNMENT. Rep. Staggers resigned from the Post Office and Civil Service Committee. p. 26053
8. POVERTY. Rep. Cleveland criticized administration of the poverty program. pp. 26073-5
9. PUBLIC LANDS. Rep. Reuss objected to erection of fences on Bureau of Land Management lands, saying this hampers wildlife. pp. 26092-4
10. FOREIGN TRADE. Received a report from the Government Operations Committee reviewing the market promotion activity of the Foreign Agricultural Service (H. Rept. 1165). p. 26095
11. PURCHASING. The Government Operations Committee reported with amendment S. 100 to make Title III of the Federal Property and Administrative Services Act applicable to procurement of property and nonpersonal services by executive agencies (H. Rept. 1166). p. 26095
12. WATERSHEDS. The Agriculture Committee voted to report favorably various watershed projects. p. D1025
13. LEGISLATIVE PROGRAM. Rep. Albert said the Consent Calendar and several suspensions will be considered Mon., Oct. 18. p. 26046
14. ADJOURNED until Mon., Oct. 18. p. 26095

ITEMS IN APPENDIX

15. SCHOOL LUNCH. Extension of remarks of Rep. Schmidhauser on the "great importance of the school lunch program." pp. A5787-88
16. RESEARCH. Extension of remarks of Rep. Brooks inserting an article in support of the establishment of the President's Advisory Staff on Scientific Information Management." pp. A5788-89
17. VOTING RECORD. Extension of remarks of Reps. Pike and Camaron inserting their voting records. pp. A5792-95, A5817-19
18. RECLAMATION. Extension of remarks of Rep. Rivers, Alaska, criticizing Rep. Pelly's opposition to the proposed Rampart Canyon Dam and stating that the time is not right "to prejudge and condemn the project." p. A5798
19. TOBACCO. Extension of remarks of Rep. Krebs inserting an article regarding the development of a "non-tobacco" cigarette. p. A5800
20. FOOD. Extension of remarks of Rep. Todd stating that greater emphasis should be put on agricultural assistance by U.S. and other nations to the underfed parts of the world and inserting an article on the subject. pp. A5812-13
21. WATER POLLUTION. Extension of remarks of Rep. King, N.Y., inserting an article expressing concern about the pure water program. p. A5815

for society members. And although the "Birch line" is discernable in much of its material, LFR has, on occasion, used items more closely related to those found in the tracts of far-out paramilitary groups.

There was this one for example:

"At the University of Michigan a plan is being developed for the systematic house-to-house search of the entire United States for arms of any kind. The search is to be made by the U.S. Army by blocking off five States at a time, beginning in the western part of the country. The entire civilian population is to be disarmed by the end of 1965."

The story so incensed Senator JACOB K. JAVITS, Republican, of New York, that he asked the Defense Department to establish the truth as a matter of public record. He then inserted the reply in the CONGRESSIONAL RECORD:

"This charge is absurd, completely false, and reflects the hallucinations of an aberrated mind."

JAVITS added a note: that the story appeared to have been taken bodily from an issue of *On Target*, official publication of the Minutemen organization.

The reception room of Douglass' professional offices features stacks of rightwing propaganda materials—reading matter for waiting patients. These include the latest issues of *American Opinion* and the Dan Smoot report, and flyers advertising the Christian Crusade radio program of Dr. Billy James Hargis. At one time the doctor was warned to stop distributing such literature to patients at the local hospital.

A political activist, Douglass is a member of the advisory board of the Conservative Society of America, the political crusade headed by Kent and Phoebe Courtney of New Orleans. He was one of the featured speakers at the recent "Congress of Conservatives" held in Chicago to lay the foundation for a national rightwing party. The doctor is leading efforts to form a third political party in Florida which would offer a slate of candidates in the 1966 State elections and become the Florida unit of an eventual national party.

The slant and novelty of the Let Freedom Ring operation seems to have had a natural appeal for people in the John Birch Society who use the service as a tool for propaganda and recruitment. The operations of the two organizations have been connected at many stations along the LFR network.

Let Freedom Ring scripts have recommended Robert Welch's *American Opinion* magazine as well as his book, "The Politician." In the Birch Society's *Bulletin* of March 1965, Welch wrote that Let Freedom Ring "has been catching on quite well, spreading gradually, and transmitting some very worthwhile messages." He added that Dr. Douglass "will welcome your inquiry."

In Decatur, Ill., the LFR outlet is sponsored by Freedom House, a rightwing bookstore run by members of the Birch Society.

In Philadelphia, callers are told to send money to a post office box for printed copies of the weekly messages. According to a story in the *Philadelphia Inquirer*, the box was rented by a Birch Society section leader. A check mailed to the outlet as a contribution was endorsed by the local Birch Society American Opinion Bookstore.

In California, the Los Angeles Times reported that the funds for the local LFR phone operation were "donated by a Birch chapter in North Hollywood."

In Miami, the box number of the LFR station was listed under the name of the John Birch Society.

In Summit, N.J., the LFR address was that of the American Opinion Bookstore there. The actual telephone equipment stands in the finished basement of Dr. Foster G. Ruhl, an active local John Bircher.

In Canoga Park, Calif., use of an LFR tape was halted by officials of the Pacific Telephone Co. after many complaints. The American Opinion Bookshop (which ran Canoga Park's LFR operation) was represented in conversations with the telephone company by John Rousselot, national public relations director of the John Birch Society.

There is no doubt that Let Freedom Ring services the radical right, from its small-time ax grinders to its largest national membership organization, the John Birch Society. Its broadcasts, scheduled at the caller's convenience, have a personal and therefore more persuasive impact. The telephone message is a quick exhortation affording the caller no chance for rereading or analysis. This allows the use of some of the bluntest propaganda scare tactics. On May 23, 1965, for example, Dr. Douglass' script read in part:

"Under the provisions of the Civil Rights Act, a convicted rapist applying for a job in a girls' school could file suit against the school if they requested a picture with his application."

Although such messages plant seeds of confusion and fear, the local LFR sponsor, unlike most other publishers and broadcasters, is protected by anonymity. The LFR number, though widely publicized, is technically an unlisted one, its holder, nameless—as are the unidentified voices on Let Freedom Ring tapes.

The question of responsibility nettles many who are concerned about the use of a public communications medium for the spreading of fear and mistrust. Can nothing be done? The position of the telephone company was stated by the Bell Telephone Co. of Pennsylvania in a letter to the Philadelphia Commission on Human Relations:

"1. It is the duty of the telephone company to furnish services and facilities to anyone who will use the service in a lawful manner. * * * The Pennsylvania Supreme Court has made it clear that public utilities are not censors. * * *

"2. Automatic announcement service is a regular telephone service which is available to any customer. * * * A user of automatic announcement service determines for himself the content of the messages handled by the service.

"3. Regardless of its views on the contents of recorded messages, the telephone company is prohibited from interfering with the lawful exercise of a customer's right of free speech."

Bell System officials have pointed out that public utilities are prohibited under Federal statutes from discriminating—offering preferential service or withholding service at will—and are forbidden to censor or even to monitor private calls. The telephone company may intervene in the case of messages which violate criminal laws (e.g., bookmaking operations or obscene calls) when requested to do so by police agencies.

Various courts have held that the company may act when it has reasonable cause to believe that the telephone is being used for illegal purposes, even without a specific police request. The difficulty is in proving an illegal purpose. In the present case, it would have to be proved that the Let Freedom Ring tape constitutes criminal libel. Telephone officials, mindful that to establish criminal libel it must be shown that the tape has a tendency to create a breach of the peace, and aware that the courts extend the broadest protection to freedom of speech, are reluctant to take action unless assured by law enforcement agencies of the probability of criminal libel.

One suggestion that has been offered is to extend the Federal Communications Commission's regulations in regard to radio and television broadcasting to the telephone system. Such standards, thoroughly tested and upheld in the courts, provide for a

certain degree of Federal control under license requirements to insure that the licensee will serve the public convenience, interest, and necessity.

Bell Telephone maintains that phone messages reach only those persons who wish to hear them, thus limiting the public nature of Let Freedom Ring and negating the argument that the broadcasts can create a general breach of the peace. But no one is forced to listen to radio or TV broadcasts either. The fact is that wide publicity and advertising of Let Freedom Ring phone numbers have given the operation's anonymous broadcasters a greater daily audience in some cities than many radio news broadcasts.

Dr. Douglass is confident that LFR "cannot be stopped" and that it will become one of the major rightwing influences within the next 2 years.

"You will be amazed at the influence that you have on public opinion almost immediately," he declares in his prospectus. "Last year we were given credit for having killed the UNICEF Christmas card drive locally—an accomplishment of which we are very proud."

But if the doctor is proud, others are indignant at the LFR technique, called by Senator JAVITS a "pushbutton approach to mass libel."

Last year, in the Senate, JAVITS warned that Let Freedom Ring was "a nationwide organization not run by professionals but by enthusiastic amateurs and apparently inaugurated and dedicated to bringing hate and fear within the reach of all."

The usually conservative California Federation of Republican Women, in a resolution asking the FBI to look into the "origin, sponsorship, and objectives of this vicious activity," called Let Freedom Ring's messages "false and treacherous propaganda."

WCAU, an important Philadelphia radio station, asked "all decent people" to renounce LFR messages which "are feeding the fires of race hatred and possible violence."

Let Freedom Ring continues—but so too does the search for means consistent with American constitutional freedoms to end the spreading of hatred by anonymous voices of dissension.

NATIONAL NEWSPAPER WEEK

(Mr. DORN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORN. Mr. Speaker, I rise to pay tribute to the newspapers of our country during this week designated as National Newspaper Week. Mr. Speaker, I might point out that on the final day of this week, the 16th, we pay particular honor to newspaper carrier boys; and right here in the Washington area on a cold winter morning there is no one I appreciate more than the newspaper boy who brings me the paper.

National Newspaper Week began in 1939 "To encourage public understanding of newspapers and their service to the Nation." Their slogan this year is "Newspapers Make a Big Difference in Peoples Lives."

Mr. Speaker, there are today in the United States 1,763 daily newspapers. Weeklies early this year numbered 8,061. Each week 100 million Americans read about people and events in their hometown weeklies alone.

Mr. Speaker, it is fitting and proper that we honor all of those who make possible the finest newspapers in the world right here in the United States. Our newspapers are devoted and dedicated to the cause of preserving freedom

and all that it stands for, not only freedom of press, but freedom of speech, freedom of assembly, and the great free enterprise system which has made our Nation the most powerful Nation on earth.

Newspapers of our country support our great institutions. The most persistent defenders and supporters of our churches, schools, and libraries are the newspapers of our land.

I turn to our newspapers, the dailies and weeklies, constantly for geography, history, information, and understanding. The newspapers have taken the lead in promoting culture, music, and the arts. It has been my experience as a Representative in the Congress that the newspapers have offered me inspiration and encouragement during critical and trying periods when we seek to solve national and international problems. The newspapers support us when we reject radical solutions to problems and when we deplore hatred, intolerance, and violence.

Mr. Speaker, I have no fear for the future of our country or for the free world as long as our newspapers are free and independent.

Mr. Speaker, it might be well for us to constantly remember the words of the accredited founder of National Newspaper Week, John B. Long, when he said:

Newspapers are never free from those who would seek to enslave them.

FIRST HALF OF THE 89TH CONGRESS—PLUS AND MINUS

(Mr. GROVER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GROVER. Mr. Speaker, next week a weary Congress closes the door on the 1st session of the 89th Congress.

Some call it a recordbreaking Congress and so it has been.

There are many pluses—to be sure, such as an economy stimulating tax cut, voting rights legislation, immigration reform and others, but the minus side is there, too—and it will take time for Americans generally to see the picture.

It has been an unusual session in many regards.

Far-reaching legislation has been passed in every conceivable area of Government.

New Federal programs have been created—programs which no legislator would have given a chance 4 years ago.

Revolutionary new and very liberal concepts pervade much of these programs which try to do so much for so many.

This Congress has drastically altered the traditional relationship between the Federal Government and the separate States. It has blindly cast aside its responsibilities, disrupting the check and balance of separation of powers by abdicating to a demanding President. It has heavily committed future revenues in massive spending schemes which guarantee dangerous inflationary spirals in coming years.

And the most amazing historical political paradox is that the majority party, the Democratic Party in Congress,

has turned out to be the party of negation. The Democratic Party, its ranks sprinkled with liberal libertarians, has persistently thwarted open debate and free discussion.

The minority party, the Republican Party, in this Congress has been positive—constantly prodding the majority to improve and clean up hastily drawn and ill-conceived legislation.

Time and again, better alternative programs were proposed by the minority and rejected out of hand by the majority.

Time and again the majority imposed gag rule by restricting time during debate and in some instances, reducing to the absurdity of allotting only 30 seconds per Member for debate.

Time and again amendments even procedural or perfecting amendments were barred by the majority.

Thus did the Republican Party accentuate the positive.

Thus did the Democratic Party in supine obeisance to the White House negate the traditional dutiful deliberations of the House of Representatives.

There is in operation a committee on legislative oversight. It is really a committee on legislative hindsight—a clean-up committee.

As a result of the haste of the President and his congressional lieutenants to have all America, indeed, all the world, taste the elixir of the Great Society and glory in its clean air, clean water, free education, free medicine, free culture, free rent, and highway beauty, the entire Congress will spend a good deal of the next session as one big committee on legislative oversight.

CONVOCATION ADDRESS BY BRIG. GEN. DAVID SARNOFF

Mr. HARRIS. Mr. Speaker, on Tuesday, October 12, Brig. Gen. David Sarnoff was a special guest and speaker at a convocation held at Hendricks College, Conway, Ark., at which time he delivered a magnificent speech. I ask unanimous consent that I may extend my remarks in the Appendix of the RECORD and include therewith the splendid remarks made by General Sarnoff on this occasion.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

[The matter referred to appears in the Appendix.]

SUGAR

(Mr. HALL asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. HALL. Mr. Speaker, in spite of the fact that the nearer the knife is to the bone, the greater the bleeding, we in this House yesterday passed the so-called sugar bill, but today the Under Secretary of Agriculture says in leading off before the Committee on Finance of the U.S. Senate that "the basic bill fails to allocate quotas to foreign countries on any objective basis."

Mr. Speaker, that is a quotation.

He says further that our passed bill differs from the administration recommendation in three main respects according to U.P.I. release No. 82 of today:

The House-passed bill does not allocate quotas to foreign countries on a performance basis, or, in fact, on any objective basis.

The House-passed bill seriously weakens provisions which are necessary to stabilize sugar prices and promote an orderly market.

The House bill includes special consideration provisions with respect to both the allotment of mainland sugarcane and sugar-beet crop acreages.

He is urging the Senate to completely clean up the House bill and adopt the original bill. I certainly hope that he will not undertake to write the bill himself or to make the allocations but that his testimony will result in tabling the bill for 1965, in hope that 1966 will bring saner minds and cooler brows.

Mr. Speaker I here insert the entire release under prior authority granted by unanimous consent:

WASHINGTON.—The administration said today a House-passed sugar bill fails to allocate quotas to foreign countries "on any objective basis."

The statement was made by John A. Schnittker, Under Secretary of Agriculture, in urging the Senate Finance Committee to substitute an administration proposal for the House bill.

The sugar bill, which would be effective through 1971, would continue a program under which the Government controls all sugar marketing in the United States through a system of quotas for domestic and foreign producing areas.

Schnittker was the first witness in the Finance Committee hearings on the bill, which was passed by the House yesterday. A list of more than 30 witnesses was cut down to 19 in an effort to complete the hearings today.

But chances of swift approval were somewhat clouded. Several Senators were prepared to offer alternatives to the bill and extensive questioning kept Schnittker in the witness chair throughout the morning.

He said the House bill differed from the administration recommendations in three main respects:

"The House-passed bill does not allocate quotas to foreign countries on a performance basis, or, in fact, on any objective basis.

"The House-passed bill seriously weakens provisions which are necessary to stabilize sugar prices and promote an orderly market.

"The House bill includes special consideration provisions with respect to both the allotment of mainland sugarcane and sugar-beet crop acreages."

Mr. Speaker, yesterday I said I "hoped" to insert in the CONGRESSIONAL RECORD the political contributions of the sugar lobbyists or their agents, as they might relate to the end product of their efforts which the House voted upon yesterday. All will note that I did not and would not in deference to comity. The nearer the scalpel to the bone the greater the bleeding.

I stressed the word "hope" because the lobbyists who were the subject of much of yesterday's discussion have not revealed much over the years. A partial list is in the previous day's RECORD. It seemed to me that if the public could not be advised of such contributions until now, at least it might be healthy for the House to consider the bill with the pos-

sibility, the hope, that such information might be forthcoming.

With several hundred thousand dollars in foreign funds supporting the efforts to get preferential sugar quotas, it taxes the imagination to suppose that none of these funds have found their way into political campaigns as part of the overhead.

Since none of the lobbyists have rushed forward to indicate the scope of their political activity, I suppose this must remain an eternal mystery.

Perhaps some enterprising reporter can do better. But until such time, the matter of the sugar money and how it spills into politics, apparently is destined to fade away, just like those little sugar cubes that dissolve in a cup of coffee.

Mr. Speaker, let us get to work and save the Nation from too much Central Government. I repeat, "the nearer the bone, the greater the bleeding."

NATIONWIDE, ORGANIZED ANTI-VIETNAM DEMONSTRATIONS SCHEDULED FOR OCTOBER 15 AND 16

(Mr. SMITH of California asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SMITH of California. Mr. Speaker, on May 3, 1965, I spoke to the House on the "Communist Campaign To Oust the United States From Vietnam." On July 24, 1965, I delivered the main address before the annual convention of the Virginia Department of the American Legion at Roanoke, Va., entitled "Communist Attempts to Undermine U.S. Policy in Vietnam." This was inserted in the RECORD by Congressman GLENARD P. LIPSCOMB on July 29, 1965.

Today I wish to make my third and final speech of this session on this most important subject "Nationwide, Organized Anti-Vietnam Demonstrations Scheduled for October 15 and 16."

NATIONWIDE, ORGANIZED ANTI-VIETNAM DEMONSTRATIONS SCHEDULED FOR OCTOBER 15 AND 16

As we reach the final days of our session, I would like to draw to the attention of my distinguished colleagues some rapidly developing events on our college campuses and elsewhere relative to the Vietnam situation. I think you, and other Americans, will be interested in knowing the cunning, skill, and diabolical purposes of those who seek to vilify this Nation and undermine her policies of preserving freedom.

Last spring our campuses were swept by a giant conflagration of protest. Rallies, demonstrations, and teach-ins were common occurrences. Almost like magic, we heard epithets such as "aggressor," "warmonger," and "imperialist" used to denounce this Nation. Students vied with each other to find new ways of heaping scorn on American policies. Last Easter a student march on Washington was held in which some 15,000 persons protested. Many citizens were shocked by the vehemence and bitterness of many of the students and faculty members.

I want it to be absolutely clear that there are many citizens in this country, including students and teachers, who, for their own personal reasons, disagree with our policy in Vietnam. These persons are not by any stretch of the imagination Communists or even sympathetic with the Communist position. We must be extremely careful not to label all opposition to America's foreign policy as Communist. This would be wrong. I have emphasized this point many times in the past.

However, on the other hand, we must not overlook the sinister role which the Communist Party and its allies are playing in this situation, especially on college campuses. Just to view these demonstrations as "children's fun" or the pranks of an adolescent minority, without realizing what role they play in Communist strategy, is to take lightly our obligations of citizenship.

The position of the Communist Party has been one of unremitting hostility to American participation in the Vietnam hostilities. The party wants us to withdraw our troops and stop military aid to the South Vietnamese Government. In other words, it seeks a complete Vietcong victory.

As far back as March 1964, for example, the party's national headquarters in New York City sent a directive entitled "The United States and South Vietnam Developments" to all its districts. Party members were urged to send telegrams of protest to President Johnson, to place advertisements in newspapers throughout the country, to organize protest meetings and picket lines and to enlist the support of non-Communist groups.

Since that date, the party's pressure has been relentless and unceasing. After President Johnson ordered air bombardment of North Vietnam military targets, the party voice became more strident. Communist leaders worked frantically to encourage rallies, demonstrations, and teach-ins. Key leaders such as Arnold Johnson—the party's top public relations man—and Michael Zagarell—National Youth Director—participated in the Easter March on Washington. From the party's point of view, the Vietnam student protest movement had become an effective tactic to promote its own subversive aims.

A key factor in the party's strategy, of course, was the W. E. B. DuBois Clubs, its front group for young people. Founded in June 1964, this group became active on many campuses during the last academic year and participated in many of the student demonstrations. In Berkeley, Calif., Bettina Aptheker, daughter of Herbert Aptheker, well-known Communist, was one of the most outspoken of DuBois leaders.

In June came the summer recess. But the party and its associated groups were not inactive. As Members of this House, you will recall, for example, the demonstrations held here on Capitol Hill last August by the so-called assembly of unrepresented people. On October 15 and 16, we are to witness the first major nationwide organized anti-Vietnam dem-

onstration of the new academic year—what has been billed as "International Days of Protest." On these days massive civil disobedience is being planned, with demonstrations, parades, and rallies throughout the country. According to advance announcements, this is to be a shot heard around the world, designed to ridicule this Nation and its Vietnam policy.

Let us look a little more closely at this so-called international days of protest. Though some will want us to believe that this project is spontaneous and comes from the hearts of the students, actually it has been carefully and devilishly planned by those who would rejoice in our defeat.

The Vietnam Day Committee—VDC—was the original sponsor of the idea of an international days of protest. This group had its origin in demonstrations last May at the University of California at Berkeley.

What is the Vietnam Day Committee? Actually, it is a type of holding company consisting of representatives of groups which for some time have been firing the smudge pots of hatred, venom, and distrust against American policy in Vietnam. In the VDC we find such assorted types as the Progressive Labor Party, well known for its pro-Red Chinese sentiments, and its youth front, the May 2 movement. Who else, we might ask, would want a Vietcong victory more? This vociferous and dangerous splinter group represents the hand of Mao Tse-tung inside our country.

In addition, there is SNCC, the Student Nonviolent Coordinating Committee, one of the most militant of the civil rights groups, the Trotskyite Socialist Workers Party and its youth front, the Young Socialist Alliance.

Still another group is the Students for a Democratic Society. This group is a militant Socialist-oriented youth group which preaches an anarchist-nihilist program of derisive mocking of American institutions and values. The SDS incidentally was the prime sponsor of the Easter march on Washington and reportedly has some 2,000 members in 80 chapters.

Early in September, the SDS held a national council meeting at Bloomington, Ind., attended by some 100 delegates. Discussion focused, among other things, on what steps could be taken to encourage young men to avoid military service. The national council eventually adopted a program of legal tactics relative to avoiding the draft, but much of the debate centered on support for illegal acts. Draft registrants, for example, are to be counseled to pressure their draft boards for exemption on the basis of conscientious objector beliefs. SDS hopes to secure the services of outside people, such as ministers and attorneys, to counsel young men in carrying out these tactics. In addition, SDS hopes, if possible, to file lawsuits against draft board actions and organize protest demonstrations. The whole purpose is to harass military recruitment.

Of course, as could be expected, the Vietnam Day Committee has felt the

touch of Communist influence. DuBois Clubs members are actively participating in the VDC. In July, for example, the VDC was one of the sponsors of a rally and march at the University of California at Berkeley. Among the speakers were Mario Savio, well-known leader of the university's free speech movement last spring, and Bettina Aptheker. Seldom has a young person—Bettina Aptheker—been more active in behalf of party causes. This young woman has been highly trained, disciplined, and taught by her father to carry on the work of promoting the interests of the Soviet Union in this country. In this father-daughter combination we see what fanaticism the Marxist-Leninist ideology can produce.

The Vietnam Day Committee was the driving force behind the recent, widely publicized incidents of trying to stop troop trains proceeding to the Oakland Army Terminal in Oakland, Calif. This shows the extent to which these fanatics will go to jeopardize our national security and inflame others to support their cause. They believe in direct action, being virtual guerrillas inside the United States for the Vietcong.

Leading up to the international days of protest we have witnessed the outbreak in various areas of the country of what might be called preliminary brush fires—designed to build up enthusiasm for the October demonstration and to serve, as it were, as fire drills for the real thing.

Some dozen students and faculty members from Franklin and Marshall College, Lancaster, Pa., picketed an industrial firm, the Hamilton Watch Co., Lancaster, on September 27, 28, and 29. Known as the Lancaster Committee for Negotiated Peace in Vietnam, this group was protesting the company's manufacture of war material. Early last month students at Johns Hopkins University in Baltimore passed out leaflets at Fort Holabird, Md., protesting U.S. action in Vietnam. The New Haven-Yale Committee for Peace in Vietnam and a group by the name of "End the Draft" held a demonstration in September in New Haven, Conn.

At Arizona State University, the Philosophy Club is planning to hold a public meeting on the university campus to discuss the Vietnam situation on October 15. The Students for a Democratic Society chapter at the University of Illinois plans to picket the University of Illinois Armory on October 14-16 as a protest against American intervention. In Austin, Tex., the University of Texas SDS chapter plans a cruel and gruesome project. It will sponsor a "death march," with participants wearing death masks. A hearse and coffin will be in the line of march, with the coffin bearing a child depicting a dead Vietnamese baby.

Important direction for this massive demonstration of civil disobedience and protest is coming from the National Coordinating Committee to End the War in Vietnam with headquarters in Madison, Wis. This again is a holding type group and among its chief participants is the W. E. B. DuBois Clubs.

The Communist Party is overjoyed with the international days of protest. Party leaders are working feverishly to help prepare the mass demonstrations. From the party's point of view, these demonstrations will greatly aid its agitation and propaganda programs. National party headquarters, for example, has sent all party districts a list of slogans to be used in the campaign to end the war in Vietnam. Sample slogans include such phrases as "Withdraw all U.S. troops," "Halt all acts of torture," "End gas and chemical warfare."

What are these student rebellions leading to? What does the future hold?

These are serious questions which should concern my colleagues.

Last spring Prof. Eugene D. Genovese, of Rutgers University, was quoted as saying that he welcomed a Vietcong victory. A few days ago a press item noted that Staughton Lynd, professor of history at Yale, and James Mellen, a history instructor at Drew University, agreed with Professor Genovese. Here we have high-ranking intellectuals, in contact with youthful minds, pouring out a poison which seeks the defeat of this Nation. If ever professors were failing their students, here are prime examples.

It is my observation that the so-called new left involving a combination of Communists—both Russian and Chinese styles—Trotskyites, and Socialist-oriented groups, such as the Students for a Democratic Society, represents a grave threat to our American way of life. Through civil disobedience tactics, they seek to disrupt the law, the peace of the community and the integrity of our colleges as institutions of learning. Some are virtually anarchist in spirit. They display a cruelly defeatist, negative, and antitype attitude. Their chief aim is not to improve weaknesses in our society or offer new avenues of democratic approach. Instead, they castigate, indict, and defame our values. These students are quick to denounce the barbaric actions of American troops, but say absolutely nothing about Vietcong atrocities. They are victims of a double vision—of self-righteous indignation about our cause and a complete willingness to overlook the evil of Communist aggression and inhumanity.

Let me illustrate, for example, the brazenness of communism on the university campus. Big posters were recently displayed on the University of California campus at Berkeley openly advertising classes in Marxism-Leninism. Here is the exact wording of one of them:

Register for classes in Marxism-Leninism taught by revolutionaries, Thursday, September 23, 142 Dwinelle, 7:30 p.m.

The poster was signed "Campus Progressive Labor"—the pro-Red Chinese organization. Here was a class in Marxism-Leninism being held in a university building.

The Communist hand is becoming more clear. It simply is amazing how in the past few years Communist groups in this country have grown in self-confidence. We find DuBois Clubs openly involved, even seeking publicity for their actions. Their great hope is that com-

munist will "go respectable," that Americans will accept it as a legitimate part of our democratic tradition. Nothing could be more disastrous.

The Communist Party will be the chief beneficiary from the international days of protest.

In recent days there have been indications that the sponsoring groups will not actually go as far in overt civil disobedience as they originally proclaimed—that is, trying to interfere with arms shipments or encourage the destruction of draft cards. But the danger remains that their inflammatory and volatile speeches may fall on the ears of some students who might be goaded into foolish and unlawful actions.

I call upon my colleagues not to be misguided, not to view the international days of protest as something spontaneous, as the genuine outpouring of the sentiments of innocent students. Instead, these days have been skillfully planned by people who do not love our Nation—by people who wish nothing more than to destroy America.

ANNOUNCEMENT

(Mr. SCHEUER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SCHEUER. Mr. Speaker, I refrained from voting on rollcall 369 because, under rule 8 of the House I felt that I might have a personal interest in the legislation.

I therefore answered "present" instead of casting a vote.

CORRECTION OF RECORD

Mr. MATSUNAGA. Mr. Speaker, on page 25942 and page 25943 of the CONGRESSIONAL RECORD of October 13, 1965, my extension of remarks on H.R. 11135 incorrectly appears. I had requested that I be permitted to extend my remarks in the body of the RECORD immediately prior to the vote on the first Findley amendment. Accordingly, I request unanimous consent that the permanent RECORD be corrected so that my extension of remarks, now appearing on pages 25942 and 25943, will appear instead immediately preceding the taking of the vote on the first Findley amendment, as it is indicated on page 25935 of yesterday's RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Hawaii?

There was no objection.

THE NATIONAL DAY OF THE MALAGASY REPUBLIC

(Mr. MATSUNAGA asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MATSUNAGA. Mr. Speaker, on October 14, 1958 the Malagasy Republic was proclaimed as an autonomous state within the French community. On this occasion I wish to extend best wishes to this friendly nation. The Malagasy Republic comprises the island of Madagascar and its dependencies.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
(NOT TO BE QUOTED OR CITED)

Issued Oct. 18, 1965
For actions of Oct. 15, 1965
89th-1st, No. 193

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HIGHLIGHTS: Sen. Symington defended Administration's sugar bill. Sen. Symington praised school lunch program. Sen. McGovern commended Republican task force report on world food problems. Sen. Morse introduced and discussed bill to establish commission to study beef export.

SENATE

1. PUBLIC WORKS APPROPRIATION BILL. Agreed to the conference report on this bill, H.R. 9220. This bill will now be sent to the President. pp. 26116-127
2. LUMBER. The Commerce Committee reported without amendment H.R. 10198, to amend the requirements relating to lumber under the Shipping Act, 1916 (S. Rept. 873). p. 26100
3. EDUCATION. Conferees were appointed on H.R. 8310, the proposed Vocational Rehabilitation Act Amendments of 1965. House conferees have already been appointed. p. 26133
4. PERSONNEL. Passed with amendment H.R. 11303, to amend the Civil Service Retirement Act, as amended, so as to provide that each retirement annuity commencing after Dec. 1, 1965, but not later than Dec. 31, 1965, shall be

increased from commencing date as if annuity began Dec. 1, 1965, after substituting the language of a companion bill, S. 2572. S. 2572 was indefinitely postponed. H.R. 11303 will now be sent to the President. pp. 26108-109

The Post Office and Civil Service Committee voted to report (but did not actually report) with amendments H. R. 10281, the Federal pay bill. The "Daily Digest" states that "as approved by the committee the bill would provide a 3.6 percent across-the-board increase...effective October 1, 1965." p. D1029

5. FOREIGN TRADE. Sen. Clark inserted an article, "Trade with Communists," which states the U. S. has "little to lose and much to gain" if the country's commercial trade mission to Poland and Rumania is successful. p. 26128
6. SALINE WATER. Sen. Clark inserted an article on the cooperation between Mexico and U. S. on the water desalting process. pp. 26128-29
7. SUGAR. Sen. Symington stated that H R. 11135, to amend and extend the provisions of the Sugar Act of 1948, "completely ignores the recommendations of the administration and urged substitution of "the administration bill for H.R. 11135." pp. 26130-31
8. SCHOOL LUNCH. Sen. Symington praised the school lunch program and inserted several articles on the subject. pp. 26152-3
9. FOOD. Sen. McGovern commended the Republican task force on agriculture for a "statement released...on the opportunity for America to expand her efforts at home and abroad to meet the increasing food crisis." pp. 26162-63
10. ADJOURNED until Mon. Oct. 18. p. 26197

ITEMS IN APPENDIX

11. WATER POLLUTION. Extension of remarks of Rep. Grabowski discussing and inserting an article telling how the paper industry, "both a supplier and a user of great quantities of water--pollutes itself in matters of water pollution." pp. A5829-30

BILLS INTRODUCED

12. RECREATION. S. 2644 by Sen. Metcalf, to provide for the establishment of cooperative outdoor recreation research and training centers; to Interior and Insular Affairs.
13. PERSONNEL. S. 2649 by Sen. Moss, to amend the Civil Service Retirement Act so as to permit payment of survivor annuities to the widows and widowers of certain annuitants who remarry subsequent to retirement; to Post Office and Civil Service Committee.
14. LANDS; PROPERTY. S. 2655 by Sen. Hart, to provide for certain payments to be made with respect to property acquired by the Secretary of Agriculture for national forest purposes in Gogebic County, Mich.; to Agriculture and Forestry Committee. Remarks of author pp. 26113-4
15. BEEF EXPORTS. S. 2658 by Sen. Morse, to provide for the establishment of a Commission to study and investigate problems relating to the export of beef from the United States and to consider ways and means of increasing the export of beef from the United States; to Commerce Committee. Remarks of author pp. 26114-5

89TH CONGRESS
1ST SESSION

H. R. 11135

IN THE SENATE OF THE UNITED STATES

OCTOBER 15, 1965

Referred to the Committee on Finance and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. MORTON to H.R. 11135, a bill to amend and extend the provisions of the Sugar Act of 1948, as amended, viz: On page 4, strike all that appears on lines 5 and 6 and insert in lieu thereof the following:

1 (A) For countries in the Western Hemisphere:

Country	Per centum
Cuba.....	44.25
Mexico.....	9.08
Dominican Republic.....	9.08
Peru.....	9.08
Brazil.....	8.62
British West Indies.....	3.19
Colombia.....	1.44
Ecuador.....	1.19
Costa Rica.....	1.19
Nicaragua.....	1.19
Argentina.....	1.19
French West Indies.....	1.06
Guatemala.....	.96
Haiti.....	.96
Panama.....	.72
El Salvador.....	.49
British Honduras.....	.35
Bolivia.....	.10
Honduras.....	.10
Venezuela.....	.05

1 (B) For countries outside the Western Hemisphere:

Country	Per centum
Australia-----	1.41
Republic of China-----	1.24
India-----	.71
South Africa-----	.71
Thailand-----	.49
Fiji-----	.35
Mauritius-----	.35
Swaziland-----	.15
Southern Rhodesia-----	.15
Malagasy-----	.15

Amdt. No. 473

89TH CONGRESS
1ST SESSION

H. R. 11135

AMENDMENT

Intended to be proposed by Mr. MORRIS to H.R. 11135, a bill to amend and extend the provisions of the Sugar Act of 1948, as amended.

OCTOBER 15, 1965

Referred to the Committee on Finance and ordered to
be printed

an inspiring story of international cooperation.

The United States is working on desalination with other nations. But the possibilities for international cooperation should be best of all between two close American neighbors with a mutual water shortage problem to solve.

There are many water experts who scoff at the economic feasibility of desalting seawater. But the long run facts argue powerfully against their doubts. More than four-fifths of the earth's surface is covered with water—of which 97 percent is too salty for human use. The tiny fraction of usable water, moreover, is being constantly and increasingly contaminated by the expanding civilization that depends upon it.

Desalinization—with other water purifying improvements—seems the most reasonable hope for satisfying future water requirements.

The administration should be congratulated for aligning itself with Mexico in a project with so much promise of mutual benefit and betterment for all mankind.

NEW YORK TIMES EDITORIALS

Mr. CLARK. Mr. President, for about 3 weeks in September the New York Times was unable to publish, and, therefore, the excellent editorials which appear from time to time in that fine paper were not available to the general public.

I was particularly interested in obtaining copies of these editorials which appeared in the international edition.

Two of them deal with matters germane to the subjects discussed by the Senator from New York [Mr. KENNEDY] in his excellent speech on Wednesday on the need to move forward with respect to greater international cooperation in the area of peace and disarmament.

I ask unanimous consent that the two editorials from the New York Times entitled "The Pope's Message," and "U Thant's Proposals," which deal with the problem of peacekeeping, be printed in the RECORD at this point in my remarks.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the New York Times, international edition, Oct. 6, 1965]

THE POPE'S MESSAGE

The address of Pope Paul VI to the United Nations General Assembly, the high point of his brief, historic trip to the United States, was a powerful and moving reminder to the nations of the world of the first principles and basic interests they hold in common.

The world has become a single city; the task now is to make it a single community. The General Assembly in which every nation, great and small, weak and powerful, has equal stature and an equal vote represents the first step toward the fulfillment of this task. The Assembly, as the Pope said, confers "an honored international citizenship" when it admits a country to membership. Only from a recognition of the integrity and rights of each national political community can grow the mutual respect needed as the basis of a single world community.

The Pope urged the United Nations to strive for universality. This implicit endorsement of the admission of Communist China and of other states now outside the international system was the closest he came to direct comment on immediate political issues. Even more significant, however, was his clearcut endorsement of "a world authority, able to act efficaciously on the juridical and political levels."

These words ought to strike home to many Americans, both within and without his church, who have mouthed hostile slogans about the United Nations and have scoffed at the ideals of universal brotherhood and international cooperation for which it stands.

Pope Paul stressed the common interest that all peoples have in the age of nuclear weapons in the preservation of today's peace, no matter how fragile, and in the attainment of a stable peace founded on justice. He rebuked the pride that impels nations to place their own opinions and interests above the common interest of peace. Implying the nations to disarm before catastrophe overtakes them, he repeated the plea which he made in Bombay last December that every nation divert part of its arms expenditures to a fund to assist the economic development of the poorer countries.

In only one important particular do we dissent from the Pope's remarks. His allusion to birth control as irrational seems to us an unnecessarily narrow, old-fashioned interpretation of natural law doctrine on this issue at a time when the world's people, including many of his fellow Catholics, had been looking to him to provide a new, more constructive lead on the population question.

The address in its main arguments, however, remains a compelling document. It happily mingles old wisdom and fresh moral urgency. "As you will remember," the Pope declared, "we are very ancient, we here represent a long history, we here celebrate the epilogue of a wearying pilgrimage in search of a conversation with the entire world, ever since the command was given to us: Go and bring the good news to all peoples."

His own speech does much to advance that universal conversation on the most imperative theme—peace.

[From the New York Times, international edition, Sept. 23, 1965]

U THANT'S PROPOSALS

In his report to the 20th General Assembly of the United Nations, Secretary General Thant argues that military conflicts in Asia and the impasse over disarmament prove the "imperative need" to give Peiping a seat and to make U.N. membership universal.

Meanwhile, he believes, the admission of observers from such countries as Communist China and North Vietnam would be useful in exposing these countries "to the views of the rest of mankind."

Those views may be of small interest to Peiping at this time, as its aggressive behavior in the India-Pakistan conflict demonstrates. But Peiping's contemptuous—and contemptible—attitude does not lessen the desirability of an invitation to the Chinese Communists to come to the U.N.

This week's Security Council negotiations on an India-Pakistan cease-fire reveal once again how unreal is the theory that the Nationalist Government in Taiwan alone represents 700 million Chinese. Because of Russian hostility, the Chinese Nationalists representative was not permitted even to participate in preparing the Security Council resolution on this matter of vital concern to Asia and the world. Inevitably, he was excluded as unacceptable to the Soviet Union.

The fact is that the Nationalist Chinese on the island of Formosa no more represent mainland China than the Communist government of the mainland represents the island of Formosa. Both, as we have long urged, ought to be in the United Nations under one form or another of a two-China policy—even though both oppose such an idea at the present time.

In his report, the Secretary General also had some pertinent comments on the Vietnam war, which has "cruelly set back" the thaw in East-West relations, he said. His considerable personal efforts through quiet

diplomacy to stop the fighting and start discussions have failed so far. But he remains convinced, as we do, that there is no military solution, that "total victory or total defeat," is out of the question for either side and that negotiations with "major concessions" by all sides is the only way out.

Nothing in Mr. Thant's report is more important than his insistence that the U.N. peacemaking machinery is as much in need of improvement as its peacekeeping methods. The India-Pakistan conflict shows the danger of leaving longstanding problems without a solution in the hope that a cease-fire, a U.N. peacekeeping mission, and the passage of time will resolve them. There is a need for more vigorous methods of seeking peaceful settlement of disputes—before as well as after armed clashes take place—through good offices, negotiation, mediation, conciliation, arbitration, and other techniques. Britain has proposed a study to develop such machinery and the Assembly would do well to approve this resolution promptly.

ATLANTIC NUCLEAR FORCE

Mr. CLARK. Mr. President, I ask unanimous consent that an editorial from the New York Times of October 6, 1965, entitled "Atlantic Nuclear Force" a subject which both Senator KENNEDY and I discussed yesterday, be printed at this point in my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

ATLANTIC NUCLEAR FORCE

Now that the West German elections are over, the project for an Atlantic nuclear force, shelved by President Johnson last December, is being dusted off again. The reappraisal that lies ahead is likely to be agonizing.

Under Secretary of State George W. Ball has indicated that a new round of talks will begin with the coming visits to Washington of British Foreign Secretary Michael Stewart and German Chancellor Ludwig Erhard. The problem, he said, "cannot be swept under the rug."

The immediate difficulty is that the three nations most directly concerned—the United States, Britain and West Germany—have varying ideas of what kind of a force should be created. And President Johnson wants the British and West Germans to reach agreement first. But with President de Gaulle vehemently opposed to the scheme, Chancellor Erhard is urging a strong American lead. Without it, he argues, a Bonn-London agreement will be difficult to achieve.

The need for Anglo-German-American agreement is increased by the deadlock with the Soviet Union on a nuclear nonproliferation treaty. Moscow claims an allied force would give West Germany control of nuclear weapons. The United States insists, on the contrary, that proliferation of national nuclear forces would be headed off by giving Europe a voice in its own nuclear defense through a collective force. This debate inevitably will remain a "dialog of the deaf" as long as neither side knows what kind of collective force is being discussed.

The lack of an agreed project also prevents discussion with General de Gaulle. The French President has threatened to break up NATO if the American project for a multilateral force of Polaris missile ships is adopted. But soon after that project was shelved last December, he indicated that France would withdraw from NATO in 1969 anyway, unless existing collective commands were dismantled as well. The confrontation with Paris that lies ahead will find Washington, London, and Bonn at a severe

disadvantage unless they agree first among themselves what kind of NATO they want.

The efforts to achieve agreement last year were broken off abruptly by President Johnson without prior consultation with America's friends in Europe—ostensibly to await elections in West Germany that would permit Bonn and London to take the lead. In the 10 months that have passed since then, the need has mounted for a collective answer to the nuclear problem within NATO—whatever the compromise between the American and German proposals for a new force and the British insistence that the solution be based mainly on existing weapons.

The peripheral crises that increasingly absorb White House attention will seem like pleasant pastimes in a few months unless the President soon comes to grips with this critical issue and related problems of European and Atlantic unity.

IMPENDING RETIREMENT OF HON. T. WHITFIELD DAVIDSON, U.S. DISTRICT JUDGE FOR THE NORTHERN DISTRICT OF TEXAS

Mr. TOWER. Mr. President, the Honorable T. Whitfield Davidson, U.S. District judge for the northern district of Texas, has announced his impending retirement after almost 30 years of distinguished service to the Federal judiciary and 89 years of service to his countrymen as teacher, lawyer, author, and judge, and as a living example of an unshakeable faith in the fundamental virtues which are the bedrock of our Nation.

Born on a wilderness farm in Harrison County in east Texas in 1876 to hardworking God-fearing parents whose everyday necessities depended on their self-reliance in those Reconstruction days, he studied by the light of the wood fire at the family hearth and then taught the children of his neighbors in the community schools while he studied law. He received his license as a lawyer in 1903, thereafter taking specialized law studies at Columbia University and the University of Chicago. He became a distinguished practicing attorney at Marshall in east Texas where the people in 1905 made him an alderman of the city and where he served also as city attorney. In 1920, he was sent to the Texas Senate and 2 years later he became Lieutenant Governor of the State of Texas. He was appointed U.S. district judge for the northern district of Texas in 1936 and has served in that capacity with the greatest distinction to the present time.

During all of these years Judge Davidson has personified the finest traits of character. He lives the creed "Do justice, love mercy, and walk humbly before God." He has maintained the dignity of the high office he has held tempered with kindness. He has inspired all who have known him with his scrupulous respect for honesty and for the virtue of honest toil, with the deepest reverence for our Constitution and for those whose wisdom and labors and sacrifices have given us the American heritage; and with an unwaivering faith in the Almighty.

In the thousands of cases over which Judge Davidson has presided during the past three decades, his decisions and opinions have continuously reflected a wis-

dom not only of the law but also of the basic justice of the cause, and a jealous respect not only for the rights of society but also for the obligations of the independent judiciary and the limitations of jurisdiction and power of the Federal Government as granted by the people in the Constitution.

Though honored in so many walks of life, Judge Davidson has never lost his love of the land. He has found the time to preserve and develop his beloved Woodfire Ranch on which he was born to the end that he might additionally further serve his fellow citizens by giving its 3,000 acres of experimental grasses, native timbers, and fat cattle to the public through a foundation he has, in his great generosity, created to combine and retain the beauty which was placed there by nature with the accumulated agricultural knowledge of man.

He has combined his abiding respect and love of parents with this love of the land, of our Constitution, and of the faith of our fathers by building a chapel in the woods of Woodfire Ranch dedicated to the memory of his beloved mother and where a religious service is held each spring in the faith of our fathers and another each fall to remind all of the priceless heritage of our Constitution.

A man of great faith, he has taught the men's class of his church for many years.

He has likewise found the time to write, having authored a book on elementary law, having published an analysis of the Aaron Burr trial, and having written a book entitled "The Bible and History of Christian Civilization," and having recently published a work entitled "Wisdom of George Washington."

Of such men as this distinguished jurist, men of wisdom, fearlessness, faith, and service, has America been hewn and shaped and preserved.

It is both fitting and necessary that their examples be observed in order that these things shall not pass.

WHY THE ADMINISTRATION SUGAR BILL IS THE BETTER BILL FOR THE PEOPLE OF THE UNITED STATES

Mr. SYMINGTON. Mr. President, the domestic cane and beet sugar industries will not supply the approximately 10 million tons of sugar the United States will consume this year.

Under the terms of an industry-Government agreement, arrived at this summer, a ceiling of 3,025,000 tons annually has been placed on mainland beet sugar marketings; and one of 1,100,000 tons annually on mainland cane. Both agreements were for 5 years.

No new cane or beet sugar growers will be admitted to the U.S. domestic sugar industry.

No new beet sugar mills will be built for half a decade.

Any farmer who has never grown, but who desires to grow sugarbeets instead of corn or soybeans, will now have to wait at least 5 years, because the U.S. sugar industry—refineries, processors,

and producers—have all agreed to certain annual production ceilings.

Even if Congress now refuses to ratify this agreement, there is little reason to believe that the domestic industry, with the influence around of the major refineries, is in a position to build new mills in new production areas.

Until 1970 at the least, therefore, it looks as if American sugar suppliers will be assigned to the following sources: Domestic beet sugar, 30 percent; mainland cane sugar, 11 percent; Hawaii, 11.1 percent; Puerto Rico, 11.4 percent; Virgin Islands, 0.0015 percent; Philippines, 11 percent; and other foreign sources, 25.35 percent.

Actual deliveries are bound to deviate from these assigned percentages because in recent years Puerto Rico, Hawaii, and the Virgin Islands have been producing some 1,900,000 tons per year instead of their assigned 2,260,000 tons. Realistically, therefore, we will probably be importing about 40 percent—or some 4 million tons—of our total sugar requirements from the Philippines and other foreign exporters.

And it is with respect to this 40 percent that I present these few remarks today.

Four million tons of sugar is a lot of sugar; and when it is bought at American refinery prices, it is also a lot of dollars—almost \$450 million. This is the amount of dollars—or gold—which will leave the United States and be placed abroad, primarily in foreign central banks, every 12 months for 5 years.

Is it not important, therefore, for us to consider carefully where we purchase these 4 million tons so that we assure American consumers a steady inflow of sugar, but do not burden ourselves with a steady outflow of gold.

If these dollar purchases of sugar are to be allocated by statutory quotas to specific countries, one of the primary criteria in selecting each country should be: How many dollars will the country in question spend for U.S. goods and services in return? Otherwise, if we are not prudent, we will be building into our imports—by act of Congress—a further serious imbalance with respect to our already serious balance-of-payments problem.

The administration took this problem into account when they formulated their 1965 sugar bill proposal. After allocating 1,050,000 tons to the Philippines in accordance with our treaty with that country, each foreign applicant was measured primarily on the factual answers to the following questions:

Are you an established and reliable sugar-exporting country?

Did you supply sugar to the United States during the worldwide sugar shortage of 1963 and 1964, in accordance with your capacity to supply and your existing U.S. quota?

Are you a good customer for U.S. goods and services?

These are three fundamental criteria which give the current sugar quota recommendations of the administration a sound foundation, one which should not be taken lightly by the Congress.

Nevertheless, we are now presented with a bill—H.R. 11135—to amend and

extend the provisions of the Sugar Act of 1948. This latter bill completely ignores the recommendations of the administration.

I have the utmost respect for the distinguished committee which drafted this bill, but it is clear that if we are to allocate sugar imports on sound criteria, the quotas proposed by the administration serve the needs and purposes of the people of the United States far better than do the quotas in H.R. 11135.

As but one example, the administration would give market preference to Western Hemisphere countries, but distribute the quotas within the hemisphere so as to give in turn special consideration, first, to countries which made a real effort to supply the United States during the worldwide sugar shortage; and second, countries which buy more goods and services from the United States than the United States buys from them.

H.R. 11135, however, reshuffled the quotas for Western Hemisphere exporters as recommended by the administration. In doing so, the bill provides more for 14 countries and less for 6 countries. Of the 14 which obtain increases, 6 have a balance-of-trade picture unfavorable to the United States—including 2 which have a most unfavorable balance: \$148 million in one case, and \$360 million in the other.

Of the six countries which get less than the administration's recommendation, five have a balance-of-trade picture favorable to the United States—the sixth is the Dominican Republic; and two of the countries whose quotas were reduced—Mexico and Argentina—have trade balances very favorable to the United States: \$419 million and \$150 million—in dollar trade—respectively.

Nor does H.R. 11135 confine its quota reshuffling to the Western Hemisphere countries. The bill provides lower quotas—totaling some 160,000 tons less than those recommended by the administration—for 12 countries outside the Western Hemisphere; and at the same time adds some 20,000 tons for a new supplier, a country which has never sold a pound of sugar to the United States before—Thailand.

These 12 countries whose quotas were reduced so drastically have historically bought more goods and services from the United States than we have bought from them, individually and collectively. One is Australia, a nation which buys $2\frac{1}{2}$ times as much from the United States as we buy from them—and, as we know, Australia is fighting side by side with us in Vietnam.

Furthermore, 10 of these 12 countries outside the Western Hemisphere supplied sugar to us far in excess of their statutory quota commitments during the shortage of 1963 and 1964. But H.R. 11135 would give them the dubious reward of drastically reduced quotas.

Frankly, I am at a total loss as to how these quotas in H.R. 11135 were determined. They are not based on performance, or a country's proved ability to supply; and emphatically they are not based on trade balances, because certain

countries which are already draining off the gold that is becoming ever more important to the security and prosperity of the United States have nevertheless been given larger quotas than the administration recommended, while countries which are buying more from the United States than we buy from them are given lesser quotas.

Mr. President, it is clear this bill—H.R. 11135—should be corrected. I believe, in all fairness, that the Senate should substitute the administration's recommended quotas for the quotas provided by the other body, because the administration quotas are well reasoned and based on sound criteria. The administration has carefully weighed the influence this legislation will have on sugar supplies, and our relations with other countries, and the impact on our balance of payments.

We will all agree that one of the first objectives is to protect the American housewife from sugar rationing and high-priced sugar. This the administration bill accomplishes by dispersing our sources of supply among many reliable sugar exporting countries, so that, if and when supplies from one supplier are interrupted by subversion, sabotage, or invasion of a particular country—there will be other suppliers to fill the breach and keep sugar flowing to the United States.

Another objective is to rely on those suppliers who have proved, under emergency conditions, that they would make a special effort to supply the U.S. market. This objective is met by the administration bill, which bases quotas on past performance when exporters could have made far more money by selling to markets other than the United States.

H.R. 11135, however, lends no weight to performance during these shortage years.

A third objective should be to buy sugar from countries which have historically bought and are now buying more goods and services from us than we buy from them. This the administration bill does. This H.R. 11135 does not.

Therefore, Mr. President, based on the foregoing facts, I respectfully urge my colleagues to substitute the administration bill for H.R. 11135, and to insist in conference on the Senate position.

HIGH RISK AUTOMOBILE INSURANCE

Mr. HART. Mr. President, for the past year, and on behalf of the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, our able colleague, the senior Senator from Connecticut [Mr. Dodd], has been investigating the high risk automobile insurance industry.

In a speech this week before a joint meeting of insurance agents and executives at White Sulphur Springs, W. Va., Senator Dodd discussed some of the facts he has developed during his investigations and hearings he held earlier this year.

So that as many people as possible may have an opportunity to read some of the

startling evidence of abuses and faulty regulatory practices that have been uncovered by Senator Dodd, I ask unanimous consent to have printed in the RECORD his incisive speech entitled "The Role of the Federal Government and the States in Insurance Regulation—Cooperation or Collision Course?" In speaking out, Senator Dodd is making another of his many great contributions to the public good.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

THE ROLE OF THE FEDERAL GOVERNMENT AND THE STATES IN INSURANCE REGULATION—COOPERATION OR COLLISION COURSE?

(Remarks of Senator THOMAS J. DODD at the joint convention of the National Association of Casualty & Surety Agents and the National Association of Casualty & Surety Executives, October 4, 1965, White Sulphur Springs, Va.)

I take great pleasure in addressing you this morning on the subject of the Federal role in the regulation of the insurance industry. No topic is more timely for this group of insurance agents and executives than the question of how to protect the integrity and reputation of the insurance industry with a minimum of Government intervention. For some deeply disturbing questions have arisen in recent years about how effective the present system of State insurance regulatory practices is in protecting the public interest.

I want to talk to you this morning about these questions regarding the effectiveness of State regulation of insurance. I want to talk to you about the future of insurance regulation and the role of the Federal Government in it.

Rousseau said that "government originated in the attempt to find a form of association that defends and protects the person and property of each with the common force of all." In democratic government, we consent to a common power superior to our own to articulate minimum rules for the conduct of society which are enforceable without resort to individual violence.

One of the powers which the American people have consented from the early years of our Republic to give their Government is the power to make reasonable regulations for the conduct of commercial affairs.

One of the central purposes sought through Government regulation of insurance has always been to make sure that those who deal in insurance so conduct their operations that the promises they make can be fairly, quickly, and fully performed upon occurrence of the event insured against. A policy of insurance which is unenforceable is no insurance at all.

It is an obligation of effective government to see, by inspection and regulation, that those in whom the American people put their trust against financial disaster remain at all times fully prepared to fulfill their promises.

That the Federal Government has plenary regulatory authority over the interstate aspects of the insurance industry has not been a matter of dispute since the Supreme Court's decision in the case of *Southeastern Underwriters v. The United States* in 1944.

But in recognition of the sincerity of the industry's self-policing activity, and also in an attempt to encourage the States to establish an effective insurance regulatory framework, Congress has refrained from exercising this plenary regulatory authority.

Thus, a year after the *Southeastern Underwriters* decision, Congress enacted the McCarran-Ferguson Act, which left primary insurance regulatory responsibility to the States.

The clear authority of the Federal Government to preempt State insurance regulation—and the Federal decision not to remain the law today. Nonetheless, Congress has retained an active interest in the protection of the insurance industry's public trust through appropriate and effective State regulation, if possible, and through Federal regulation, if necessary.

In 1958, the Antitrust and Monopoly Subcommittee of the Senate Committee on the Judiciary decided to make an extensive study of the insurance industry to determine whether or not State insurance regulation had lived up to the expectations which had led Congress to refrain from Federal regulation 13 years earlier. For the last 4 years I have been in charge of that study. I was delighted to accept that assignment from the subcommittee chairman because, coming from Connecticut, frequently called the "insurance center of the world," it has been my privilege to work frequently during my career in public life with many of you fine men and women of the insurance industry.

I have a keen appreciation for the prosperity the insurance industry has generated, not only in my own State, but also throughout the entire country. By providing protection, assurance, and capital to individuals, industry, and government, as well as by providing employment for more than a million people and a stable and a fruitful investment for many others, the insurance industry makes a truly unique and essential contribution to the American economy.

Indeed, the very enormity and importance of insurance in modern American life emphasizes the critical need to maintain the highest standard of integrity within the insurance industry. It also requires maintenance of the highest degree of public confidence in that industry.

The insurance industry itself has traditionally recognized its grave responsibilities to merit and to maintain the public trust. I am pleased to be able to report to you today that throughout my associations with the insurance industry, I have found a consistent high, scrupulous devotion among virtually all insurance people to their traditional and essential public trust.

However, I regret to report that the investigations I have conducted have recently uncovered a serious failure on the part of State regulatory bodies and the insurance industry itself to protect the public from the depredations of fly-by-night, fraudulent, and inexperienced insurance operations.

I am talking about some companies dealing in high risk automobile insurance. As you know, high risk automobile insurance companies insure the 5 million American motorists who, for one reason or another, find themselves unable to buy insurance in the regular insurance market. These motorists must place themselves in assigned risk pools or do business with a company selling high risk insurance.

There are, of course, many high risk insurance companies which are sound, well run, and honest. But gravely disquieting reports of high risk auto insurance failures which left policyholders and claimants without adequate protection and, in many cases, without any protection at all, began reaching my committee about a year ago.

We learned that some 50 companies in 45 States writing high risk insurance had failed during the past 6 years. Our analysis of these reports clearly indicated the need for a long, hard look at abuse of the public and irregular practices in high risk insurance operations.

The failure of these 50 companies left hundreds of thousands of policyholders without insurance and tens of thousands of claimants without indemnity for millions of dollars in claims. Thirty-two of these insolvent companies alone left 400,000 policyholders without insurance. They left almost \$80

million in outstanding claims, but only about \$8 million in assets to satisfy them, after the administrative costs of the insolvency receiverships are deducted.

Even if outstanding claims in these cases are overvalued by 60 percent, policyholders and claimants stand to receive only 25 cents on the dollar.

This is a shocking and intolerable situation. But some of the individual company stories are even more appalling. One insolvent company left 10,000 policyholders without insurance. It left \$2½ million worth of outstanding claims, and only \$4,100 in assets to satisfy them.

A second company left 32,000 policyholders without insurance, more than \$2 million in claims, and only \$400,000 in assets.

One company collected over \$5 million in premiums in 9 months, but, at the time of the receivership proceeding 6 months later, left 15,000 policyholders without insurance, \$5 million in outstanding claims, and only \$352,000 in assets.

Just last month a company placed in receivership left 120,000 policyholders, \$2½ million in outstanding claims, and only about a million dollars worth of assets.

There are only a few typical examples of what we have found in our preliminary tabulation of the damage done the public and the insurance industry itself by fraudulent and inept insurance operations. We have only recently begun compiling the statistics on the other half of the high risk insolvencies since 1960.

Neither you in the insurance industry nor we in the Government can tolerate these regular, indeed frequent, situations in which an insolvency leaves thousands of policyholders and the public without protection and where claimants and creditors stand to lose millions of dollars in unpaid claims.

What are the practical causes of these failures, these frauds, these intolerable impositions on the public welfare, these ruinations of policyholders and claimants?

Our investigation disclosed clear evidence that incompetent and careless management practices led to the downfall of at least 23 of these 50 high risk companies. Flagrant abuse and outright fraud by company management caused an additional 20 of the 50 companies to fail. Many of these involuntary insolvencies could have been prevented by adequate State regulation. The causes we discovered during our investigation for more than 80 percent of these failures were equally discoverable by State regulatory authorities had they been alert and had their regulatory procedures been adequate and effective. In some of these high risk company failures we found appropriation of company funds to personal use. In others we found falsification and manipulation of company assets and securities.

We found cases of grossly excessive fees and commissions paid under management contracts and retrospective commission agreements with agencies controlled by the same principals who controlled the company. We discovered juggling of loss reserves, and highly improper claims practices. We found fictitious reinsurance arrangements. We uncovered inaccurate and generally inadequate books and records. We discovered poor underwriting practices. We found overexpansion of premiums written in relation to capital and surplus.

If these gross deviations from sound and honest practice were discoverable after these companies went under, why couldn't the State regulatory authorities discover them in time to avoid the fantastic loss to the public and damage to the insurance industry such practices caused?

The fact is that, in the high-risk field at least, insurance departments have frequently not acted effectively to discover abuses and to remedy those which have been discovered.

Many insurance departments have failed

to detect gross underestimation of loss reserves and accumulations of vast numbers of claims by some insurers. Many departments have permitted too high a ratio of premiums written to policyholders' surplus, and have failed to uncover fictitious reinsurance arrangements. Many insurance departments seem to be too preoccupied with technical rate and form matters to effectively supervise fringe insurance operations.

Most States lack adequate standards and qualified personnel to measure the sufficiency of loss reserves. Financial manipulations, such as the siphoning of premium dollars from high risk insurers and their agencies, too frequently receive inadequate attention and have, in many cases, led to insolvency.

There are wide gaps in communication and cooperation among the States in regulating high risk insurers. You in the industry and we in the Government cannot tolerate these conditions. American policyholders are entitled to the best protection possible. They have a right to expect it, they will demand it, and I intend to see that they will get it.

No segment of the insurance industry and no regulatory body can bury its head in its own work, ostrichlike, and expect these pernicious abuses of the public trust to disappear. These scandalous swindles impair public confidence not only in automobile insurance, but in all insurance, and in the truthworthiness of Government as well.

I do not intend to be a party either to the deterioration of public confidence in Government or to the abuse of the public trust. If State regulation proves inadequate to the task of protecting the public, how long can the Federal Government be expected to stay its hand?

Because I believe in and support State regulation of the insurance industry, I am doing all I can to encourage the reforms that must be made if State regulation is to persevere. I have urged the State insurance commissioners, through their national association, to take a number of specific steps to make State insurance regulation more effective and to bring the epidemic of high risk fraud and failure under control.

I have urged the insurance commissioners to strengthen examination processes, specifically by making more frequent, more thorough, and more surprise examinations.

I have encouraged them to recruit competent examiners and to compensate them adequately.

I have told them to examine far more closely the underwriting and reserve activities of every company operating in the States.

I have asked them to devote special attention to reinsurance arrangements, especially, "fronting" arrangements and the so-called "surplus aid contract" used to hide a company's true financial condition.

I have urged them to review existing minimum capital and surplus requirements for the formation of new companies.

I have suggested that they determine whether relationships between policyholders' surplus and premium volume should be established by statute.

I am encouraged that a number of insurance commissioners have already told me that they intend to act upon these recommendations.

I am also encouraged that the National Association of Insurance Commissioners is forming a special committee to address the problem of the gaps in communication and cooperation among the insurance commissioners of the several States.

But we have barely begun to combat the problem of inadequate State regulation of insurance. We need not only new tactics, but also new weapons to protect the public interest.

89TH CONGRESS
1ST SESSION

H. R. 11135

IN THE SENATE OF THE UNITED STATES

OCTOBER 15, 1965

Read twice and referred to the Committee on Finance

AN ACT

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 (1) Paragraphs (1) and (2) (A) of subsection (a)
4 are amended to read as follows:

5 “(a) (1) For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

“Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

8 “(2) (A) To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 there shall be added or deducted, as the case may be, an
11 amount equal to 65 per centum of the amount by which the
12 Secretary’s determination of requirements of consumers in
13 the continental United States pursuant to section 201 for
14 the calendar year exceeds ten million four hundred thou-
15 sand short tons, raw value, or is less than nine million seven
16 hundred thousand short tons, raw value. Such amount shall
17 be apportioned between the domestic beet sugar area and
18 the mainland cane sugar area on the basis of the quotas for
19 such areas established under paragraph (1) of this subsec-
20 tion and the amounts so apportioned shall be added to, or
21 deducted from the quotas for such areas.”

1 (2) Subsection (b) is amended to read as follows:

2 “(b) For the Republic of the Philippines, in the amount
3 of one million and fifty thousand short tons, raw value, plus
4 10.86 per centum of the amount, not exceeding seven hun-
5 dred thousand short tons, raw value, by which the Secre-
6 tary’s determination of requirements of consumers in the
7 continental United States pursuant to section 201 for the
8 calendar year exceed nine million seven hundred thousand
9 short tons, raw value.”

10 (3) Subsection (c) is amended to read as follows:

11 “(c) (1) For foreign countries other than the Republic
12 of the Philippines, an amount of sugar, raw value, equal
13 to the amount determined pursuant to section 201 less the
14 sum of the quotas established pursuant to subsection (a)
15 and (b) of this section.

16 “(2) For the calendar year 1965, for individual foreign
17 countries other than the Republic of the Philippines, by pro-
18 rating the amount of sugar determined under paragraph (1)
19 of this subsection among foreign countries on the basis of the
20 quotas established in sugar regulation 811, as amended,
21 issued February 15, 1965 (30 F.R. 2206).

22 “(3) For the calendar year 1966 through 1971, in-
23 clusive, for individual foreign countries other than the
24 Republic of the Philippines, Ireland, and the Bahama
25 Islands, by prorating the amount of sugar determined under

1 paragraph (1) of this subsection, less the amounts required
 2 to establish quotas as provided in paragraph (4) of this
 3 subsection for Ireland and the Bahama Islands, among for-
 4 eign countries on the following basis:

5 “(A) For countries in the Western Hemisphere:

“Country	Per centum
Cuba.....	44.25
Mexico.....	8.41
Dominican Republic.....	8.41
Brazil.....	8.41
Peru.....	6.71
British West Indies.....	3.71
Ecuador.....	1.24
French West Indies.....	1.06
Colombia.....	1.06
Costa Rica.....	1.04
Nicaragua.....	.95
Guatemala.....	.81
Venezuela.....	.76
El Salvador.....	.75
Haiti.....	.71
Panama.....	.62
Argentina.....	.53
British Honduras.....	.49
Bolivia.....	.10
Honduras.....	.10

6 “(B) For countries outside the Western Hemisphere:

“Country	Per centum
Australia.....	4.00
Republic of China.....	1.66
India.....	1.60
South Africa.....	.73
Fiji.....	.60
Thailand.....	.49
Mauritius.....	.35
Swaziland.....	.15
Southern Rhodesia.....	.15
Malagasy Republic.....	.15

7 “(4) For the calendar year 1966 and each subsequent
 8 calendar year, for Ireland, in the amount of ten thousand
 9 short tons, raw value, of sugar; and for the calendar year

1 1968 and each subsequent calendar year, for the Bahama
2 Islands, in the amount of ten thousand short tons, raw value,
3 of sugar: *Provided*, That the Secretary obtains such assur-
4 ances from each such country as he may deem appropriate
5 prior to January 1 of each such calendar year that the quota
6 for such year will be filled with sugar produced in such
7 country.”

8 (4) Subsections (d), (e), and (f) are hereby amended
9 and subsection (g) is added to read as follows:

10 “(d) Notwithstanding any other provision of this Act—

11 “(1) (A) During the current period of suspension
12 of diplomatic relations between the United States and
13 Cuba, the quota provided for Cuba under subsection (c)
14 shall be withheld and a quantity of sugar equal to such
15 quota shall be prorated as follows:

16 “(i) any quantity of quota withheld from Cuba
17 at a determination up to and including the amount
18 of ten million short tons, raw value, under section
19 201 shall be prorated to other foreign countries
20 named in paragraph (3) of subsection (c) on the
21 basis of the percentages stated therein; and, in
22 addition,

23 “(ii) any quantity of quota withheld from
24 Cuba at a determination in excess of the amount of

1 ten million short tons, raw value, under section 201,
2 shall be prorated to other foreign countries named
3 in paragraph (3) (A) of subsection (c) that are
4 members of the Organization of American States on
5 the basis of the percentages stated therein.

6 “(B) Whenever and to the extent that the Presi-
7 dent finds that the establishment or continuation of a
8 quota or any part thereof for any foreign country would
9 be contrary to the national interest of the United States,
10 such quota or part thereof shall be withheld or sus-
11 pended, and such importation shall not be permitted.
12 A quantity of sugar equal to the amount of any quota
13 so withheld or suspended shall be prorated to the other
14 countries listed in subsection (c) (3) (A) (other than
15 any country whose quota is withheld or suspended) on
16 the basis of the quotas then in effect for such countries.

17 “(C) The quantities of sugar prorated pursuant to
18 the foregoing provisions of this subsection shall be desig-
19 nated as temporary quotas and the term ‘quota’ as
20 defined in this Act shall include a temporary quota
21 established under this subsection.

22 “(2) (A) Whenever the Secretary finds that it is
23 not practicable to obtain the quantity of sugar needed
24 from foreign countries to meet any increase during the
25 year in the requirements of consumers under section 201

1 by apportionment to countries pursuant to subsections
2 (b) and (c) and the foregoing provisions of this sub-
3 section, such quantity of sugar may be imported on a
4 first-come, first-served basis from any foreign country,
5 except that no sugar shall be authorized for importation
6 from Cuba until the United States resumes diplomatic
7 relations with that country and no sugar shall be author-
8 ized for importation hereunder from any foreign country
9 with respect to which a finding by the President is in
10 effect under subsection (d) (1) (B) : *Provided*, That
11 such finding shall not be made in the first nine months
12 of the year unless the Secretary also finds that limited
13 sugar supplies and increases in prices have created or
14 may create an emergency situation significantly inter-
15 fering with the orderly movement of foreign raw sugar
16 to the United States. In authorizing the importation
17 of such sugar the Secretary shall give special considera-
18 tion to countries which agree to purchase for dollars
19 additional quantities of United States agricultural prod-
20 ucts. In the event that the requirements of consumers
21 under section 201 are thereafter reduced in the same
22 calendar year, an amount not exceeding such increase in
23 requirements shall be deducted pro rata from the quotas
24 established pursuant to subsection (c) and this sub-
25 section.

1 “(B) Sugar imported under the authority of this
2 paragraph (2) shall be raw sugar, except that if the
3 Secretary determines that the total quantity is not rea-
4 sonably available as raw sugar, he may authorize the
5 importation for direct consumption of so much of such
6 quantity as he determines may be required to meet the
7 requirements of consumers in the United States.

8 “(3) No quota shall be established for any country
9 for any of the years following a period of twenty-four
10 months, ending June 30 prior to the establishment of
11 quotas for such year, in which its aggregate imports
12 of sugar equaled or exceeded its aggregate exports of
13 sugar from such country to countries other than the
14 United States.

15 “(4) Whenever in any calendar year any foreign
16 country fails, subject to such reasonable tolerance as the
17 Secretary may determine, to fill the quota as established
18 for it pursuant to this Act, the quota for such country
19 for subsequent calendar years shall be reduced as fol-
20 lows:

21 “(A) the quota established under section 202
22 (b), and the quotas established under sections
23 202 (c) and 202 (d) (1) for any country having a
24 quota at the end of the preceding year of less than
25 two hundred thousand short tons, raw value, shall be

1 reduced by the smaller of (i) the amount by which
2 such country failed to fill such quota or (ii) the
3 amount by which its exports of sugar to the United
4 States in the year such quota was not filled were
5 less than 115 per centum of such quota for the
6 preceding calendar year: *Provided*, That in no
7 event shall the quota for the Republic of the Philip-
8 pines be reduced to an amount less than nine hun-
9 dred and eighty thousand short tons, raw value, of
10 sugar; and

11 “(B) the quota established under section 202
12 (c) and section 202(d) (1) for any such coun-
13 try having a quota at the end of the preceding cal-
14 endar year of two hundred thousand short tons, raw
15 value, or more shall be reduced by the smaller of (i)
16 the amount by which such country failed to fill such
17 quota or (ii) the amount by which its exports of
18 sugar to the United States in the year such quota
19 was not filled were less than 130 per centum of such
20 quota for the preceding calendar year: *Provided*,
21 That (i) no such reduction under either subpara-
22 graphs (A) or (B) shall be made if the country
23 has notified the Secretary before August 1 of
24 such year (or, with respect to events occurring

thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) the reduction in quota for any country having a quota established under section 202 (c) and section 202 (d) (1) at the end of the preceding calendar year of two hundred thousand short tons, raw value, or more shall be limited, if the quota for any such country on July 1 of the year in which such quota was not filled is less than 130 per centum of its quota for the preceding calendar year, to the larger of (1) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than 115 per centum of the quotas for the preceding year or (2) the amount by which its exports of sugar to the United States in the year such quota was not filled were less than such quota on July 1.

“(5) Any reduction in a quota because of the re-

quirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

“(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) (B) of this section, and, in the case of Cuba under subsection (d) (1) (A) of this section, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

“(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this

1 Act, and the amount of sugar imported from any country
2 or marketed from any area at the time of such reduction
3 exceeds the reduced quota, the amount of such excess shall,
4 notwithstanding any other provision of this section, be de-
5 ducted from the quota established for such country or
6 domestic area for the next succeeding calendar year.

7 “(g) The quota established for any foreign country
8 and the quantity authorized to be imported from any country
9 under subsection (d) (2) of this section may be filled only
10 with sugar produced from sugarbeets or sugarcane grown
11 in such country.”

12 SEC. 4. Section 204 of the Sugar Act of 1948, as
13 amended, is amended to read as follows:

14 “SEC. 204. (a) The Secretary shall from time to time
15 determine whether, in view of the current inventories of
16 sugar, the estimated production from the acreage of sugar-
17 cane or sugarbeets planted, the normal marketings within a
18 calendar year of new-crop sugar, and other pertinent factors,
19 any area or country will be unable to market the quota for
20 such area or country. If the Secretary determines that any
21 domestic area or foreign country listed in section 202 (c)
22 (3) (A) will be unable to market its quota, he shall revise
23 the quota for the Republic of the Philippines by allocating to
24 it an amount of sugar equal to 47.22 per centum of the
25 deficit, and shall allocate an amount of sugar equal to the

1 remainder of the deficit to the countries listed in section
2 202 (c) (3) (A) on the basis of the quotas then in effect
3 for such countries: *Provided*, That any deficit resulting from
4 the inability of a country which is a member of the Central
5 American Common Market to fill its quota shall first be
6 allocated to the other member countries on the basis of the
7 quotas then in effect for such countries: *And provided fur-*
8 *ther*, That if any quota is restored to Cuba, the maximum
9 per centum of 47.22 of the deficit to be allocated to the
10 Republic of the Philippines shall be reduced to a per centum
11 equal to that which the Philippine quota under subsection
12 (b) of section 202 bears to the sum of such Philippine quota
13 and the quotas then in effect for all foreign countries pursu-
14 ant to subsection (c) of section 202. If the Secretary
15 determines the Republic of the Philippines will be unable to
16 fill its share of any deficit determined under the foregoing
17 provisions of this subsection, he shall allocate such unfilled
18 amount to the countries listed in section 202 (c) (3) (A)
19 on the basis of the quotas then in effect for such countries.
20 If the Secretary determines that neither the Republic of
21 the Philippines nor the countries listed in section 202 (c)
22 (3) (A) can fill all of any such deficit, he shall apportion
23 such unfilled amount on such basis and to such foreign
24 countries as he determines is required to fill such deficit.
25 If the Secretary determines that any foreign country with

1 a quota established pursuant to section 202 (c) (3) (B)
2 or section 202 (c) (4) will be unable to market the quota
3 for such area or country, he shall revise the quota for the
4 Republic of the Philippines by allocating to it an amount
5 of sugar equal to 47.22 per centum of the deficit, and
6 shall allocate an amount of sugar equal to the remainder
7 of the deficit to the countries listed in section 202 (c) (3)
8 (B) on the basis of the quotas then in effect for such coun-
9 tries: *Provided*, That if any quota is restored to Cuba, the
10 maximum per centum of 47.22 of the deficit to be allocated
11 to the Republic of the Philippines shall be reduced to a per
12 centum equal to that which the Philippine quota under sub-
13 section (b) of section 202 bears to the sum of such Philip-
14 pine quota and the quotas then in effect for all foreign coun-
15 tries pursuant to subsection (c) of section 202. If the Sec-
16 retary determines the Republic of the Philippines will be un-
17 able to fill its share of any deficit determined for any country
18 listed in section 202 (c) (3) (B), he shall allocate such
19 unfilled amount to the countries so listed on the basis of the
20 quotas then in effect for such countries. If the Secretary de-
21 termines that neither the Republic of the Philippines nor
22 the countries listed in section 202 (c) (3) (B) can fill all of
23 any such deficit, he shall apportion such unfilled amount on
24 such basis and to such foreign countries as he determines is
25 required to fill such deficit. Deficits shall not be allocated

1 to any country whose quota has been suspended or withheld
2 pursuant to subsection (d) (1) of section 202. The Secre-
3 tary shall insofar as practicable determine and allocate
4 deficits so as to assure the availability of the sugar for im-
5 portation during the calendar year. In any event, any
6 deficit, so far as then known, shall be determined and allo-
7 cated by August 1 of the calendar year. Notwithstanding
8 the foregoing provisions of this subsection, if the President
9 determines that such action would be in the national interest,
10 any part of a deficit which would otherwise be allocated to
11 countries listed in section 202 (c) may be allocated to one or
12 more of such countries with a quota in effect on such basis
13 as the President finds appropriate.

14 “(b) The quota established for any domestic area or
15 any foreign country under section 202 shall not be reduced
16 by reason of any determination of a deficit existing in any
17 calendar year under subsection (a) of this section: *Provided*,
18 That the quota for any foreign country shall be reduced to
19 the extent that it has notified the Secretary that it cannot
20 fill its quota and the Secretary has found under section 202
21 (d) (4) that such failure was due to crop disaster or other
22 force majeure.”

23 SEC. 5. Section 205 of the Sugar Act of 1948, as
24 amended, is amended, (1) by inserting after the third
25 sentence thereof the following two new sentences: “The

1 Secretary is also authorized in making such allotments of a
2 quota for the mainland cane sugar area for any calendar
3 year after 1966 to take into consideration, in lieu of or in
4 addition to the foregoing factors of processing, past market-
5 ings, and ability to market, the need of establishing an allot-
6 ment which will permit such marketing of sugar as is neces-
7 sary for reasonably efficient operation during each of the first
8 two years of operation of a new sugarcane processing facility
9 or mill that begins the production of sugar from sugarcane
10 for the first time after the calendar year 1966. The Secre-
11 tary is also authorized in making such allotments of a quota
12 for any calendar year to take into consideration, in lieu of
13 or in addition to the foregoing factors of processing, past
14 marketings, and ability to market, the need for establishing
15 an allotment which will permit such marketing of sugar as is
16 necessary for the reasonably efficient operation of any non-
17 affiliated single plant processor of sugarbeets or any processor
18 of sugarcane and as may be necessary to avoid unreasonable
19 carryover of sugar in relation to other processors in the
20 area: *Provided*, That the marketing allotment of any such
21 processor of sugarbeets shall not be increased under this pro-
22 vision above an allotment of twenty-five thousand short tons,
23 raw value, and the marketing allotment of a processor of
24 sugarcane shall not be increased under this provision above
25 an allotment equal to the effective inventory of sugar of such

1 processor on January 1 of the calendar year for which such
2 allotment is made, except that the marketing allotment for
3 1965 of a processor of sugarcane, other than a processor-
4 refiner, who had a physical inventory of sugar on January 1,
5 1964, equal to 55 per centum or more of his 1963 crop pro-
6 duction may be increased by an additional six thousand
7 two hundred short tons of sugar, raw value: *Provided,*
8 *further,* That the total increases in marketing allotments
9 made to processors in the domestic beet sugar and main-
10 land cane sugar areas pursuant to this sentence shall be
11 limited to twenty-five thousand short tons of sugar, raw
12 value, for each such area for each calendar year.”; and (2)
13 by adding at the end of subsection (a) the following sen-
14 tence: “If allotments are in effect at the time of a reduction
15 in a domestic area quota for any year, the amount marketed
16 by a person in excess of the amount of his allotment as re-
17 duced in conformity with the reduction in the quota shall
18 not be taken into consideration in establishing an allotment
19 in the next succeeding year for such person, and any allot-
20 ment established for such person for the next succeeding year
21 shall be reduced by such excess amount.”

22 SEC. 6. Section 206 of the Sugar Act of 1948, as
23 amended, is amended to read as follows:

24 “SEC. 206. (a) If the Secretary determines that the

1 prospective importation or bringing into the continental
2 United States, Hawaii, or Puerto Rico of any sugar-contain-
3 ing product or mixture will substantially interfere with the
4 attainment of the objectives of this Act, he may limit the
5 quantity of such product or mixture to be imported or
6 brought in from any country or area to a quantity which
7 he determines will not so interfere: *Provided*, That the
8 quantity to be imported or brought in from any country or
9 area in any calendar year shall not be reduced below the
10 average of the quantities of such product or mixture annually
11 imported or brought in during the most recent three con-
12 secutive years for which reliable data of the importation or
13 bringing in of such product or mixture are available.

14 “(b) In the event the Secretary determines that the
15 prospective importation or bringing into the continental
16 United States, Hawaii, or Puerto Rico, of any sugar-
17 containing product or mixture will substantially interfere
18 with the attainment of the objectives of this Act and there
19 are no reliable data available of such importation or bring-
20 ing in of such product or mixture for three consecutive years,
21 he may limit the quantity of such product to be imported
22 or brought in annually from any country or area to a quan-
23 tity which the Secretary determines will not substantially
24 interfere with the attainment of the objectives of the Act,
25 provided that such quantity from any one country or area

1 shall not be less than a quantity containing one hundred
2 short tons, raw value of sugar or liquid sugar.

3 “(c) In determining whether the actual or prospective
4 importation or bringing into the continental United States,
5 Hawaii, or Puerto Rico of a quantity of a sugar-containing
6 product or mixture will or will not substantially interfere
7 with the attainment of the objectives of this Act, the Secre-
8 tary shall take into consideration the total sugar content of
9 the product or mixture in relation to other ingredients or to
10 the sugar content of other products or mixtures for similar
11 use, the costs of the mixture in relation to the costs of its
12 ingredients for use in the continental United States, Hawaii,
13 or Puerto Rico, the present or prospective volume of im-
14 portations relative to past importations, the type of packag-
15 ing, whether it will be marketed to the ultimate consumer in
16 the identical form in which it is imported or the extent to
17 which it is to be further subjected to processing or mixing
18 with similar or other ingredients, and other pertinent infor-
19 mation which will assist him in making such determination.
20 In making determinations pursuant to this section, the Sec-
21 retary shall conform to the rulemaking requirements of sec-
22 tion 4 of the Administrative Procedure Act.”

23 SEC. 7. Subsections (d) and (e) of section 207 of the
24 Sugar Act of 1948, as amended, are amended as follows:

25 “(d) Not more than fifty-nine thousand nine hundred

1 and twenty short tons, raw value, of the quota for the Re-
2 public of the Philippines may be filled by direct-consumption
3 sugar.

4 “(e) None of the quota established for any foreign
5 country other than the Republic of the Philippines and none
6 of the deficit prorations and apportionments for any foreign
7 country established under or in accordance with section
8 204 (a) may be filled by direct-consumption sugar: *Pro-*
9 *vided*, That the quotas for Ireland, and Panama may be filled
10 by direct-consumption sugar to the extent of ten thousand
11 short tons, raw value, for Ireland and three thousand eight
12 hundred and seventeen short tons, raw value, for Panama.”

13 SEC. 8. Section 209 of the Sugar Act of 1948, as
14 amended, is amended by striking from subsection (e) thereof
15 the words “any sugar or liquid sugar” and inserting in lieu
16 thereof the following: “any sugar or liquid sugar in excess
17 of one hundred pounds in any calendar year”.

18 SEC. 9. Section 213 of the Sugar Act of 1948, as
19 amended, is repealed.

20 SEC. 10. Section 302 of the Sugar Act of 1948, as
21 amended, is amended as follows:

22 (1) Paragraph (1) of subsection (b) is amended to
23 read as follows:

24 “(b) (1) The Secretary shall determine for each crop
25 year whether the production of sugar from any crop of sugar-

1 beets or sugarcane will, in the absence of proportionate
2 shares, be greater than the quantity needed to enable the
3 area to meet its quota and provide a normal carryover in-
4 ventory, as estimated by the Secretary for such area for the
5 calendar year during which the larger part of the sugar
6 from such crop normally would be marketed. Such deter-
7 mination shall be made only with respect to the succeeding
8 crop year and, beginning with the 1966 crop year, only
9 after due notice and opportunity for an informal public
10 hearing. If the Secretary determines that the production
11 of sugar from any crop of sugarbeets or sugarcane will be in
12 excess of the quantity needed to enable the area to meet its
13 quota and provide a normal carryover inventory, he shall
14 establish proportionate shares for farms in such areas as
15 provided in this subsection, except that the determinations
16 by the Secretary of proportionate shares for farms in Hawaii
17 and the Virgin Islands in effect on January 1, 1965, shall
18 continue in effect until amended or superseded. In deter-
19 mining the proportionate shares with respect to a farm, the
20 Secretary may take into consideration the past production
21 on the farm of sugarbeets and sugarcane marketed (or proc-
22 essed) for the extraction of sugar or liquid sugar (within
23 proportionate shares when in effect) and the ability to pro-
24 duce such sugarbeets and sugarcane."

1 (2) The first sentence of paragraph (3) of subsection
2 (b) is amended to read as follows:

3 “(3) In order to make available acreage for growth and
4 expansion of the beet sugar industry, the Secretary in addi-
5 tion to protecting the interest of new and small producers by
6 regulations generally similar to those heretofore promulgated
7 by him pursuant to this Act, shall reserve each year from
8 1962 through 1966, inclusive, from the national sugarbeet
9 acreage requirement established by him, the acreage required
10 to yield sixty-five thousand short tons, raw value, of sugar.”

11 (3) Paragraph (3) of subsection (b) is amended by
12 inserting “(A)” after the figure (3) and by adding at
13 the end of paragraph (3) the following subparagraph (B):

14 “(B) In order to make available acreage for the growth
15 and expansion of the mainland cane industry by a new
16 sugarcane processing facility, the Secretary is authorized to
17 reserve each crop year for three consecutive crop years an
18 amount of acreage estimated to yield twenty-five thousand
19 short tons of sugar, raw value, from the acreage which would
20 be allocated to sugarcane producers in the mainland cane
21 sugar area for each of three consecutive crop years beginning
22 not earlier than the year immediately following the first cal-
23 endar year after 1965 for which the Secretary’s determination
24 of requirements of consumers pursuant to section 201 exceeds
25 ten million four hundred thousand short tons, raw value: *Pro-*

1 *vided*, That the quantity allocated to the mainland cane
2 sugar area for such calendar year pursuant to section 202
3 (a) (2) (A) is not less than twenty-five thousand short tons
4 of sugar, raw value. The acreage so reserved for each of
5 the three consecutive crop years shall be distributed for each
6 such crop year on a fair and reasonable basis, when it can
7 be utilized, to farms without regard to any other acreage
8 allocation for establishing farm proportionate shares deter-
9 mined by him, on the condition that the sugarcane produced
10 on such farms shall be delivered for each of such three con-
11 secutive crop years to the new processing facility in the
12 locality to which reserve acreage is committed as hereafter
13 provided. The Secretary shall commit the reserve acreage
14 estimated by him to yield twenty-five thousand short tons
15 of sugar, raw value, for each of the three consecutive crop
16 years to the locality determined by him to receive the
17 reserve, and such commitment of reserve shall be irrevocable
18 upon issuance of the determination of such commitment
19 by publication in the Federal Register; except that if the
20 Secretary finds in any case that construction of the sugar-
21 cane processing facility has not proceeded in substantial
22 accordance with the representations made to him as a
23 basis for his determination of commitment of the reserve
24 acreage, he shall revoke such determination in accordance
25 with and upon publication in the Federal Register of such

1 findings. In any State in the continental United States
2 where there was no mill for commercially processing sugar-
3 cane into sugar in 1965, commitment of reserve acreage
4 shall be made to the locality where sugarcane will be
5 delivered from farms for the commercial recovery of sugar
6 by a sugarcane processing facility or mill which begins
7 operation for the first time. In determining commitment
8 of the reserve acreage and if proposals are made to con-
9 struct sugarcane processing facilities in two or more localities
10 where sugarcane production is scheduled to commence in
11 the same year or succeeding years, the Secretary shall base
12 his determination and selection upon the firmness of capital
13 commitment, suitability for growing sugarcane, the lack of
14 proximity of other mills, need for a cash crop or a replace-
15 ment crop, and accessibility to sugar markets, and the rela-
16 tive qualifications of localities under such criteria. The com-
17 mitment of reserve acreage shall be determined by the
18 Secretary after investigation, the publication of notice and
19 such informal public hearings, if any, as the Secretary deems
20 appropriate under the prevailing circumstances.”

21 (4) Paragraph (5) of subsection (b) is amended by
22 striking the words “In determining farm proportionate
23 shares” and inserting in lieu thereof the words “Whether
24 farm proportionate shares are or are not determined”.

1 (5) Subsection (b) is amended by adding new para-
2 graphs (8) and (9) as follows:

3 “(8) In order to protect the sugarbeet production his-
4 tory for farm operators (or farms) who in any crop year,
5 because of a crop-rotation program or for reasons beyond
6 their control, are unable to utilize all or a portion of the
7 farm proportionate share acreage established pursuant to
8 this section, the Secretary may reserve for a period of not
9 more than three crop years the production history for any
10 such farm operators (or farms) to the extent of the farm
11 proportionate share acreage released. The proportionate
12 share acreage so released may be reallocated to other farm
13 operators (or farms), but no production history shall accrue
14 to such other farm operators (or farms) by virtue of such
15 reallocation of the proportionate share acreage so released.

16 “(9) The Secretary is authorized to reserve from the
17 national sugarbeet acreage requirements for the 1966, 1967,
18 and 1968 crops of sugarbeets a total acreage estimated to
19 yield not more than twenty-five thousand short tons, raw
20 value, for each such crop to provide any nonaffiliated single
21 plant processor of sugarbeets with an estimated quantity of
22 sugar for marketing of not to exceed twenty-five thousand
23 short tons of sugar, raw value. The Secretary is also author-
24 ized to reserve from the acreage which would otherwise be

1 allocated to sugarcane producers in the mainland cane sugar
2 area for the 1965 and 1966 crops of sugarcane a total acre-
3 age estimated to yield not more than twenty-five thousand
4 short tons of sugar, raw value, for each such crop to relieve
5 hardship on the part of producers who planted sugarcane
6 for the first time for harvest in the crop years 1964 and
7 1965 and in allocating such acreage the Secretary shall
8 give consideration to the amount by which the acreage of
9 sugarcane in 1965 exceeds the proportionate share for the
10 1965 crop: with first consideration in allocating such acre-
11 age to farms on which the 1965 crop proportionate share
12 has been overplanted by more than 200 per centum in an
13 amount sufficient to bring the proportionate shares of such
14 farms up to the acreage growing: *Provided*, That acreage
15 allocated hereunder for the 1965 crop shall be in addition
16 to the total acreage heretofore allocated in such area for the
17 1965 crop. The Secretary shall allocate the acreage pro-
18 vided for in this paragraph to farms on such basis as he
19 determines necessary to accomplish the purposes for which
20 such acreages are provided under this paragraph."

21 SEC. 11. (1) Subsection (b) of section 402 of such
22 Act is amended by adding the following sentence thereto:
23 "The Secretary is authorized to use the services, facilities,
24 and authorities of Commodity Credit Corporation for the
25 purpose of making disbursements to persons eligible to re-

1 ceive payments under title III of this Act: *Provided*, That
2 no such disbursements shall be made by Commodity Credit
3 Corporation unless it has received funds to cover the amounts
4 thereof from appropriations available for the purpose of
5 carrying out such program.”

6 (2) Subsection (a) of section 408 of such Act is
7 amended by adding the following at the end thereof:
8 “During any period that the operation of the provisions
9 of title II is so suspended by the President, the Secretary
10 shall estimate for each year the amount of sugar needed to
11 meet requirements of consumers in the United States and
12 the amount the quota for each country would be if cal-
13 culated on the basis as provided in section 202 of this Act.
14 Notice of such estimate and quota calculation shall be pub-
15 lished in the Federal Register. If any country fails to im-
16 port into the continental United States within the quota
17 year, an amount of sugar equal to the amount the quota
18 would be as calculated for such country by the Secretary
19 for such year, the quota established for such country in
20 subsequent years under the provisions of title II shall be
21 reduced as provided in section 202 (d) (4) of this Act:
22 *Provided*, That quotas for subsequent years shall not be
23 reduced when quotas are suspended under this subsection
24 and reestablished in the same calendar year.”

25 (3) Subsection (b) of section 408 of such Act is

1 amended by striking out the last sentence thereof and sub-
2 stituting in lieu thereof the following: "Any quantity so
3 suspended shall be allocated in the same manner as deficits
4 are allocated under the provisions of section 204 of this
5 Act."

6 (4) Subsection (c) of section 408 of such Act is
7 amended to read as follows:

8 " (c) In any case in which a nation or a political sub-
9 division thereof has hereafter (1) nationalized, expropriated,
10 or otherwise seized the ownership or control of the property
11 or business enterprise owned or controlled by United States
12 citizens or any corporation, partnership or association not
13 less than 50 per centum beneficially owned by United States
14 citizens or (2) imposed upon or enforced against such prop-
15 erty or business enterprise so owned or controlled, dis-
16 criminatory taxes or other exactions, or restrictive mainte-
17 nance or operational conditions not imposed or enforced
18 with respect to the property or business enterprise of a like
19 nature owned or operated by its own nationals or the nationals
20 of any government other than the Government of the United
21 States or (3) imposed upon or enforced against such prop-
22 erty or business enterprise so owned or controlled, discrimina-
23 tory taxes or other exactions, or restrictive maintenance or
24 operational conditions, or has taken other actions, which have
25 the effect of nationalizing, expropriating or otherwise seizing

1 ownership or control of such property or business enterprise
2 or (4) violated the provisions of any bilateral or multi-
3 lateral international agreement to which the United States
4 is a party, designed to protect such property or business en-
5 terprise so owned or controlled, and has failed within six
6 months following the taking of action in any of the above
7 categories to take appropriate and adequate steps to remedy
8 such situation and to discharge its obligations under inter-
9 national law toward such citizen or entity, including the
10 prompt payment to the owner or owners of such property or
11 business enterprise so nationalized, expropriated or other-
12 wise seized or to provide relief from such taxes, exactions,
13 conditions or breaches of such international agreements, as
14 the case may be, or to arrange, with the agreement of the
15 parties concerned, for submitting the question in dispute
16 to arbitration or conciliation in accordance with procedures
17 under which final and binding decision or settlement will be
18 reached and full payment or arrangements with the owners
19 for such payment made within twelve months following
20 such submission, the President shall suspend any quota, pro-
21 ration of quota, or authorization to import sugar under this
22 Act of such nation until he is satisfied that appropriate steps
23 are being taken. Any quantity so suspended shall be allo-
24 cated in the same manner as deficits are allocated under sec-
25 tion 204 of this Act.”

1 (5) Section 412 of such Act (relating to termination of
2 the powers of the Secretary under the Act) is amended by
3 striking out "1966" in each place it appears therein and
4 inserting in lieu thereof "1971".

5 SEC. 12. Section 4501 (b) (relating to termination of
6 taxes on sugar) of the Internal Revenue Code of 1954 is
7 amended by striking out "1967" in each place it appears
8 therein and inserting in lieu thereof "1972".

9 SEC. 13. Except as hereinafter provided, the provisions
10 of this Act shall become effective January 1, 1965. The
11 amendments made by section 4 of this Act shall become
12 effective January 1, 1966.

Passed the House of Representatives October 13, 1965.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

OCTOBER 15, 1965

Read twice and referred to the Committee on Finance

SUGAR ACT AMENDMENTS OF 1965

OCTOBER 18, 1965.—Ordered to be printed
Filed under authority of the order of the Senate of October 18, 1965

Mr. LONG of Louisiana, from the Committee on Finance, submitted
the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 11135]

The Committee on Finance, to which was referred the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

PURPOSE

The purpose of the bill, as amended, is to maintain a healthy and competitive domestic sugar industry; to assure adequate sugar supplies for consumers at reasonable prices; to extend the Sugar Act through December 31, 1971, and to fix foreign quotas for 1966 and 1967; to increase quotas for domestic producing areas; to establish quotas for foreign suppliers; and to provide for the temporary filling of the quota reserved for Cuba.

SUMMARY OF COMMITTEE AMENDMENT

The committee substituted for the House bill, the bill recommended by the administration, context of S. 2567, with the following major modifications:

1. Foreign sugar quotas are to be distributed for a 2-year period only (1966-67) as provided below:

Distribution of foreign quotas

(A) For the following countries in the Western Hemisphere:		Short tons
Mexico	-----	390, 135
Dominican Republic	-----	422, 512
Brazil	-----	272, 013
Peru	-----	272, 013
British West Indies	-----	122, 017
Ecuador	-----	49, 770
Colombia	-----	27, 829
Costa Rica	-----	34, 786
Nicaragua	-----	40, 672
Guatemala	-----	35, 321
Venezuela	-----	2, 676
El Salvador	-----	17, 125
Haiti	-----	18, 731
Panama	-----	14, 449
Argentina	-----	63, 685
British Honduras	-----	4, 281
Subtotal	-----	1, 788, 015
(B) For the following countries:		
Australia	-----	162, 152
Republic of China	-----	67, 431
India	-----	64, 861
South Africa	-----	66, 584
Fiji	-----	35, 489
French West Indies	-----	42, 970
Mauritius	-----	14, 985
Swaziland	-----	6, 081
Southern Rhodesia	-----	6, 081
Ireland	-----	2, 141
Belgium	-----	1, 605
Turkey	-----	1, 605
Subtotal	-----	471, 985
Total	-----	2, 260, 000

2. Foreign countries would be required to give commitments in advance that their quotas would be filled.

3. The effective date for the apportionment of deficits was made January 1, 1966.

4. The authority given the President to suspend the quota for any foreign country that expropriates property of the United States (sec. 11(4) of the House bill) was adopted as part of the bill.

5. A provision creating a national reserve of not to exceed 25,000 tons of sugar would be established in the beet area for certain hardship cases—additional marketing quota would be available to certain processors and additional acreage would be available to certain producers. (This modification is similar to provisions in secs. 5 and 10 of the House bill.)

GENERAL STATEMENT

A. Operation of the Sugar Act

The Sugar Act of 1948 is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade. These three objectives are achieved through the adjustment of the supplies of sugar that may be marketed in the United States.

It is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete

on the open world market with sugar produced with cheap tropical labor or under subsidy in other countries.

Therefore, for many years, it has been the policy of the U.S. Government—for defense and strategic reasons—to promote within the United States the ability to produce a substantial portion of our sugar requirements. Sugar is a vital food needed by American consumers, the supply of which worldwide has been alternately scarce or in surplus.

Until 1934 protection was afforded to our sugar producers solely through the tariff. The tariff (formerly 2.5 cents per pound but now 0.625 cent per pound) did assist the domestic producers, but it still left them exposed to price fluctuations of the world sugar market. Moreover, it increased the price of sugar to consumers without assuring them adequate foreign sources of supply.

A quota system which prorated domestic consumption among producers in the United States and a number of foreign countries was enacted into law in 1934. This quota system was revised in 1937 and again in the Sugar Act of 1948.

A tax of 0.53 cent per pound is imposed on all sugar manufactured or imported into the United States. Payments are made to domestic producers of sugarcane or sugarbeets at a rate which ranges from 80 cents per hundredweight of recoverable sugar produced on small farms to as little as 30 cents per hundredweight of production in excess of 30,000 tons on large farms. To qualify for payments under the program, producers must comply with production restrictions, pay fair wages to workers, and not employ child labor and, if they are also processors, pay fair prices for sugarcane or sugarbeets. Revenue from the tax on sugar has exceeded payments to domestic growers during each of the years under the program. Since 1937 the excess has totaled about \$550 million.

There is no price fixing in the program, but the U.S. price in the market place is kept within a desirable range by the management of supply in the operation of the law of supply and demand. The Secretary of Agriculture is authorized to determine how much sugar will be needed to meet continental U.S. requirements during each calendar year. The determination is made late in one year for the following year and may be revised as the needs change. It establishes the quantity of sugar that may be marketed in the United States during the year.

After the Secretary has determined overall requirements, domestic and specified foreign producing areas supplying the United States with sugar are assigned quotas in accordance with the provisions of the act. The bill, as reported, preserves the objective of the Sugar Act of 1948 and strengthens the program by recognizing recent changes in the sugar situation and adapting the act accordingly.

The Sugar Act has fostered increased sugar consumption while maintaining reasonable prices for American consumers. Under the program, consumption has increased from 6,574,000 tons in 1934 to an estimated 10 million tons in 1965. Per capita consumption in the United States is three times the per capita consumption around the world. American consumers enjoy lower prices for sugar than consumers in virtually all nations that do not produce their entire sugar needs. On January 1, 1965, the retail price of a pound of sugar in the United States averaged 11.64 cents, in France 12.6 cents, Italy 16

cents, Japan 14.2 cents, United Kingdom 11.1 cents, West Germany 14 cents, Sweden 15 cents, and Yugoslavia 13.3 cents.

B. The Sugar Crisis

The world's sugar economy has been disrupted in the last few years far more than in any other peacetime period in the last 40 years. During the fifties and for a year or two afterward, rising income throughout the world brought about expansion of sugar consumption at about double the rate of population growth, which itself was quite high. Meanwhile, in 1959, 1960, and 1961, replanting of canefields in Cuba was largely neglected. Then, in 1961 the authorities in Cuba, which for generations had been the world's sugar bowl, decided to diversify the economy. As a first step in that direction, all of the sugarcane then growing was cut in preparation for the planting of other crops. Traditionally, Cuba had followed the practice of storing sugar not only in the warehouses but also in most years as sugarcane carried over in the field from year to year. By destroying her canefields Cuba effectively eliminated a large part of the world's sugar reserves.

The Cuban decision resulted in a very large 1961 crop but in much larger production losses for each of the next 3 years. Meanwhile, the 1962 and 1963 European beet sugar crops were well below normal partly because of production restrictions in the first year but mostly because of poor weather. The impact of all these events was dramatic. World inventories of sugar fell from a record level of 16 million tons in September 1961 to only 10 million tons in September 1964, barely enough for 2 months' consumption. This sharp decline in sugar reserves occurred despite the fact that high prices during the period of stock depletion had substantial restraining effects on world sugar consumption. In fact there was no growth whatever in sugar consumption during the 2 years preceding September 1964.

1. *Effect on Prices.*—The drastic changes in the supply and demand pattern for sugar was promptly reflected in prevailing price levels. The world raw sugar price rose from an average of 2½ cents per pound in the first half of 1962 to more than 12 cents per pound in May and again in November of 1963. It has since fallen to an average of less than 2½ cents for the current year, and in September 1965 was as low as 1.65 cents.

High prices in the world market also affected the U.S. price. During the period from February 1963 to June 1964 the price of raw sugar, duty paid at New York, averaged 8 cents per pound. Although on a comparable basis, this was 1½ cents per pound below the average of the world market, it was also 1½ cents above the usual price in the United States. Since the summer of 1964, sugar has been in ample supply. In June 1964 the world price dropped below the domestic price for the first time in 15 months. As a matter of fact, the domestic price itself fell slightly below its customary level for the balance of the year. For 1965, the domestic price, which has averaged 6.73 cents per pound, has been in line with the price contemplated in the Sugar Act.

2. *Effect on production.*—The developments just described affected production plans both at home and abroad.

Sugar production had not been restricted in any domestic producing area from 1961 through 1964, except temporarily with respect to the 1963 mainland sugarcane crop. In light of this freedom to plant,

production expanded rapidly in the mainland sugarbeet and sugarcane areas. Both areas were able to meet their quotas during the period of sugar scarcity and to add substantially to their inventories. The availability of domestically produced sugar and the cooperation of numerous foreign suppliers in letting us have sugar at a financial sacrifice to them substantially tempered the impact of the worldwide shortage on sugar prices in the United States. This benefited sugar consumers. Unfortunately, the extra sugar produced in the mainland cane and beet areas could not then and still cannot be sold under the Sugar Act because of quota limitations. This means that both the mainland producing areas are left with large inventories of sugar produced at the urging of the Government, and in some instances with Government financial aid. These areas could not market any of their extra production in either 1963 or 1964 and it has become essential that the surplus inventories be worked down in an orderly fashion over a period of years, commencing with 1965.

When sugar was in short supply, production expanded more quickly in the United States than in other parts of the world. The United States also was the first country to cut back production after the crisis was over. Both of the U.S. mainland sugar crops—beets and cane—are restricted this year. Sugarcane acreage has been cut 13 percent below the 1964 level and sugarbeet acreage 5 percent. Since acreage is guaranteed under the statute to reserve acreage growers in the localities where new sugarbeet factories have been constructed, the 5-percent cut for the sugarbeet area as a whole necessitated an average cut of 10 percent for all other growers who had produced sugarbeets prior to this year. Despite the production cutbacks, inventories will remain very large in both areas and further production cutbacks may be needed.

Production throughout the world has within the last year increased markedly. With lower prices, world consumption once again has started to climb, yet the current 1964-65 crop, estimated at a record 70 million tons, is so large that probably about 7 million tons will be added to inventories. Next year's crop of sugar throughout the world also is expected to be very large and inventories may continue to grow.

THE COMMITTEE BILL

The bill as amended by the Committee on Finance retains many of the features of previous legislation and of the House bill. It provides a balanced approach to the needs of all groups affected by the Sugar Act: consumers, domestic producers, foreign suppliers, and the cane sugar refining industry.

A. Consumer protection

Particular attention has been devoted to the interests of consumers. First, both the mainland cane and the domestic beet-producing areas are given larger quotas, thus permitting more of our domestically produced sugar to be marketed during the term of the act. Second, quotas would be allocated to foreign countries generally on the basis of their demonstrated willingness and ability to service our market under the most trying circumstances and even in the face of financial sacrifice. Thus, the committee bill allocates most foreign quotas in accordance with performance in supplying us when sugar was extremely scarce during 1963 and 1964 and higher prices were available

in other markets. The committee believes that this method of allocating quotas is the best means of assuring the needed level of imports not only during extended periods when the United States is a premium price market but also in the exceptional periods when higher prices could be obtained by selling on the world market to other countries. by fixing the bulk of foreign quotas on performance in such a crisis as existed in 1963 and 1964, the committee is convinced that our consumers are afforded the greatest possible protection in the event of future sugar catastrophes. Exporting countries would be encouraged to continue to service our market at all times because nonperformance in any year would be grounds for reducing their quota in future years.

The committee also believes that the two mainland sugar-producing areas should carry significantly larger inventories than was customary prior to the sugar shortage period. The committee is strongly of the view that such higher inventories are needed in order to service adequately the higher quotas established for such areas and in order to provide a greater reservoir of sugar supplies which may be needed on short notice to help fulfill consumer needs. The committee recognizes the difficulties inherent in pinpointing the specific percentages of quotas for these areas which should be held as "effective" inventories on January 1 of a quota year under varying crop and market conditions. An effective inventory amounting to about 75 percent of the beet area quota historically has been held by the beet industry on January 1. The committee believes that this is too low a percentage and that normally the appropriate amount should be within the range of 82 to 90 percent for the beet sugar industry as a whole. When Louisiana produced the major portion of the mainland cane area's quota, the practice was to carry over a rather small effective inventory. Now that production in Florida represents a substantial part of the mainland cane area's quota, the committee believes that a larger effective inventory is necessary. As in the case of the beet area, it is difficult to specify the exact percentage of inventory which should be held in any given quota year under varying crop and market conditions, but it is the committee's view that an effective inventory of 60 to 70 percent on January 1 is proper under most conditions for the mainland cane area.

B. Extra marketing for mainland cane and beet areas

Mainland producers would in effect receive an advance on market growth to enable them to work off their sugar inventories in an orderly manner and with only moderate further curtailment of production. The two mainland areas would receive quota increases totaling 580,000 tons beginning this year at a consumption level of 9.7 million tons. Of this, 375,000 tons are allocated to the beet area, and the remaining 205,000 tons is destined for the mainland cane area. Their quotas would then remain constant at all levels of national sugar consumption between 9.7 and 10.4 million tons before again being accorded participation in market growth. Consumption is expected to exceed 10.4 million tons after 1970.

C. Foreign country quotas

Initially, the increase in domestic quotas would entail a reduction of imports from the level established by the 1962 amendment to the act. However, all market growth would go to foreign countries until

consumption reached 10.4 million tons annually, at which time the balance between domestic and foreign quotas under the present law would be virtually reestablished. Experience indicates that supplying foreign countries as a group can be expected to recover their share of the market by 1971. They would also be assured of a price which usually includes a substantial premium. Thus, under the committee bill foreign countries would achieve both volume and price protection.

The domestic price during the period of world scarcity could not have been held below the exorbitant world price level had it not been for the cooperation of many of our foreign suppliers. Each of them that sold us sugar during 1963 and 1964 sustained substantial financial losses by doing so. At no other time during the life of the Sugar Act has the domestic price been at so great a discount. The allocation of foreign quotas as provided by the committee bill in most instances recognizes the cooperation of our supplying countries. Quotas are allocated essentially on the basis that each country contributed toward our sugar needs in 1963 and 1964 but with the latter year given double weighting. The reason for double credit for 1964 shipments is clear. Although our foreign suppliers sustained a price discount on their imports to the United States in 1963, the price disadvantage to them was much greater in December 1963 and January 1964, when they committed themselves to supply our 1964 sugar needs. Furthermore, when 1964 supplies were committed in the last weeks of 1963 and the first weeks of 1964, sugar was far scarcer than in early 1963 when that year's imports were committed.

D. Impact on cane sugar refineries

The market for refined cane sugar initially would be curtailed under the bill as compared to present law because of the increase in the quota for beet sugar, which is produced from sugarbeets in a single operation. However, cane sugar refiners' share of the market would increase more rapidly under the bill than under existing law since all market growth would be assigned to foreign countries until consumption exceeded 10.4 million tons. Sugar from foreign countries is the principal raw material for our cane sugar refiners. As sugar consumption increases during the period of the extension, refiners' volume of business would be larger than the average for recent years, and by the end of 1971 it is expected that refiners' proportionate share of the market would be virtually as large as under the present law.

SECTION-BY-SECTION DESCRIPTION

The bill as amended by the Committee on Finance extends the act for 5 years to December 31, 1971, and would generally become effective January 1, 1965. It also fixes foreign quotas for a 2-year period—1966 and 1967.

Section 2. Consumption estimate

The primary device for controlling the supply of sugar is the consumption estimate. Section 2 provides that the determination of consumer requirements be made by the Secretary during the last 3 months in each year (rather than in December under the present law) for the succeeding year, and that he use as a basis for the determination the quantity of sugar distributed for consumption during the 12-month period ending September 30 (rather than October 31). This change is needed to provide time for establishing quarterly limitations

on imports in the first half of the year (as authorized by sec. 3 of the bill) if such action is necessary to stabilize sugar prices.

The committee has been concerned with the fact that the price stability which the Congress intended under section 201 of the act has not been consistently achieved. It is the committee's view that appropriate adjustments in the annual consumption estimate should be made from time to time so as to achieve price stability at approximately the target price resulting from the application of the price relationship formula outlined in section 201 and that the Secretary's responsibility to make such adjustments applies equally to price levels above and below the target price. In indicating that adjustments in the consumption estimate be made from time to time, the committee is not suggesting that the Secretary seek to pinpoint the New York daily raw sugar price but rather that he seek to achieve and consistently to maintain the approximate target price throughout the quota year.

Section 3. Quotas

Section 3 establishes quotas.

A. Domestic quotas.—For the domestic beet sugar area and the mainland cane sugar area quotas are fixed at 3,025,000 and 1,100,000 short tons, raw value, respectively, instead of 2,650,000 and 895,000 short tons, raw value, as under present law. Quotas for these areas would be increased only when consumption requirements are in excess of 10,400,000 short tons. They would be increased by 65 percent of the excess over 10,400,000 short tons. Conversely, they would be decreased by 65 percent of the amount consumption requirements are less than 9,700,000 short tons. The quotas for Hawaii, Puerto Rico, and the Virgin Islands remain unchanged from present law. The basic quotas assigned to domestic areas would be increased by 580,000 tons under the bill as indicated in the following comparison of existing quotas:

[In short tons]

Area	Present legislation	Bill as reported
Domestic beet sugar.....	2,650,000	3,025,000
Mainland cane sugar.....	895,000	1,100,000
Hawaii.....	1,110,000	1,110,000
Puerto Rico.....	1,140,000	1,140,000
Virgin Islands.....	15,000	15,000
Total.....	5,810,000	6,390,000

The domestic quota provisions of the committee bill are identical to the corresponding features of the House bill.

B. The Philippines.—The quota for the Republic of the Philippines is not changed by the bill. It remains at 1,050,000 short tons, raw value. However, for the first time the Philippines would be permitted to share in growth of the U.S. sugar market. Under the bill there would be added to the basic Philippines quota 10.86 percent of the amount, not exceeding 700,000 short tons, raw value, by which the determination of consumption requirements for the United States exceeds 9,700,000 short tons, raw value. This change, together with the new rules for allocating deficits, recognizes the Philippines contribution to our supplies during our sugar crisis.

C. Other foreign countries.—Section 3 also provides specified percentage prorations (based on contributions to our import needs in 1963 and 1964, generally with single weighting for 1963 and double weighting for 1964) for named countries subject to special limitations on growth for Australia, Belgium, the French West Indies, and South Africa; proration of the Cuban quota reserve also would be made on a similar basis to such named countries; and any foreign quota or part thereof suspended by the President would be prorated to Western Hemisphere countries.

The total quantities allocated to foreign countries are identical under both the committee bill and the House bill. The pattern of distribution among countries is different, and under the committee bill, the foreign quotas apply for only 2 years—1966 and 1967. The 2-year extension for the foreign quotas provided by the committee bill (rather than 6 years as under the House bill) is undertaken because of lack of opportunity to make an exhaustive study. The foreign quotas approved in the bill are not intended, in any way, to commit the United States to give any foreign nation a permanent quota.

The Secretary would be authorized to acquire limited quantities of sugar on a first-come, first-served basis from foreign countries if he determines such quantities cannot as a practical matter be obtained by allocation as quotas to quota countries. This provision, substantially similar to a feature of the House bill, should enable the Secretary to obtain supplies quickly in emergency situations and at reasonable prices. The committee believes that the need to invoke this provision should rarely arise. Full apportionment of foreign quotas on a country-by-country basis, together with the penalty provisions of subsection 202(d)(4), should, in most instances, insure that foreign raw sugar will be delivered to this country as needed.

However, the committee recognizes the possibility that high world market prices might cause some foreign producers to divert sugar to the world market during the early part of a year, thus delaying their shipments to the United States in anticipation of a later rise in U.S. prices or a later decline in world prices. The result could be a temporary shortage in the supply of foreign raw sugar offered to U.S. buyers. In this, or similar circumstance, subsection 202(d)(2) would authorize the Secretary, if he finds that the regular procedures for apportioning increased requirements among quota countries would not result in delivery of the sugar when needed, to authorize its entry from whatever country or countries are prepared to meet our needs.

The committee does not contemplate that this subsection would be used except where world prices are so high or threaten to become so high as to interfere with maintenance of the act's domestic price objectives or if very late in the year it is impracticable to obtain needed supplies in the usual manner.

The committee did not believe that it was appropriate to include in this subsection a provision limiting the Secretary's freedom in the emergency situation by requiring that special consideration be given to obtaining sugar from countries purchasing U.S. agricultural surpluses. When this emergency power would have to be utilized, it would be dangerous to price stability if we had to wait to get commitments of the type envisioned in the House bill.

Provision is made for withholding the Cuban quota during the period of suspension of diplomatic relations, and for withholding the

quota or any part thereof for any foreign country when the President determines such withholding would be in the national interest of the United States.

The quotas for foreign countries other than the Republic of the Philippines are prorated as follows:

Distribution of foreign sugar quotas

[Assumed consumption estimate of 9,700,000 tons]

	Senate committee bill	House bill
(A) For the following countries in the Western Hemisphere:		
Mexico.....	390, 135	340, 925
Dominican Republic.....	422, 512	340, 925
Brazil.....	272, 013	340, 925
Peru.....	272, 013	272, 013
British West Indies.....	122, 017	150, 397
Ecuador.....	49, 770	50, 267
Colombia.....	27, 829	42, 970
Costa Rica.....	34, 786	42, 159
Nicaragua.....	40, 672	38, 511
Guatemala.....	35, 321	32, 836
Venezuela.....	2, 676	30, 809
El Salvador.....	17, 125	30, 403
Haiti.....	18, 731	28, 782
Panama.....	14, 449	25, 134
Argentina.....	63, 685	21, 485
British Honduras.....	4, 281	19, 864
Bolivia.....		4, 054
Honduras.....		4, 054
Subtotal.....	1, 788, 015	1, 816, 513
(B) For the following countries:		
Australia.....	162, 152	162, 152
Republic of China.....	67, 431	67, 293
India.....	64, 861	64, 861
South Africa.....	66, 584	29, 593
Fiji.....	35, 489	24, 323
French West Indies.....	42, 970	42, 970
Thailand.....		19, 864
Mauritius.....	14, 985	14, 188
Swaziland.....	6, 081	6, 081
Southern Rhodesia.....	6, 081	6, 081
Malagasy Republic.....		6, 081
Ireland.....	2, 141	
Belgium.....	1, 605	
Turkey.....	1, 605	
Subtotal.....	471, 985	443, 970
Total.....	2, 260, 000	2, 260, 000

For purposes of allocating deficits, the French West Indies are not considered to be a country within the Western Hemisphere. The committee bill follows the provisions of existing law in maintaining the so-called Cuban reserve quota at 57.77 percent of the total amount of foreign requirement after deducting the allowance for the Philippines. (The House bill would have reduced this Cuban reserve to only 44.25 percent.) A special feature of the House bill would have provided quotas of 10,000 tons for the Bahamas. This feature was not included in the committee bill.

The committee gave consideration to the differing formulas for allocating growth among foreign countries as the U.S. consumption requirements increased from 9.7 to 10.4 million tons. There are only minor differences in this regard between the House bill and the committee amendment. The House bill would have permitted practically all countries, whether developed or not, to increase their quotas at an equal rate until a 10 million ton consumption estimate was reached,

and after 10 million tons would assign the Cuban share to members of the Organization of American States and permit all to share equally in the remainder. The committee amendment provides for differential growth rates for four sets of countries:

1. French West Indies and Belgium: No growth.
2. The Philippines: Their share of growth is 10.86 percent of increased U.S. consumption. This represents their share of the total U.S. sugar requirements.
3. Australia and South Africa: Growth only at the rate foreign countries as a group had in the 1962 act; i.e., at a rate equal to 35 percent of market growth.
4. All other countries which participate in our sugar system are underdeveloped countries. Their share in the growth of our market will grow faster than the above countries, first, because foreign countries as a group will be given all the growth as our market expands from 9.7 to 10.4 million tons, and, second, because the other countries noted above receive proportionately slower increases.

The committee amendment reflects the philosophy that the benefits of growth of consumption under our sugar program should flow more to developing countries than to developed countries.

The bill also provides that no quota shall be established for any foreign country, except Ireland, for the year following a 24-month period in which the quantity of sugar imported into such country equaled or exceeded exports to countries other than the United States.

D. Reduction of quotas.—Also under section 3, a reduction in subsequent years' quotas is required if any foreign country fails to fill its quota and allocated deficits in any year, unless such failure was due to crop disaster or the intervention of other similar events. This provision includes a requirement designed to encourage foreign countries to carry reserves of 15 percent for the protection of our supplies. Reduction in quotas would be prorated to other countries in the same manner as deficits; that is, 47.22 percent of the amount of the reduction would go to the Philippines and the remainder would be allocated to Western Hemisphere countries.

It is provided that restoration of a quota withheld by the President in the national interest (or restoration of the Cuban reserve share) would be as the President determines, provided he restores the entire quota by the third year after he finds that such restoration is no longer contrary to the national interest. Whenever any quota is reduced to restore a quota withheld for a foreign country by the President in the national interest, or because of a reduction in consumption requirements, any amount of sugar imported or marketed in excess of the reduced quota would be deducted from such quota for the next year. These provisions are identical to comparable features of the House bill.

The bill also includes a provision, not contained in the House bill, which directs the Secretary of Agriculture to withhold the quota from any foreign country to the extent that it fails to provide assurance to the Secretary that it will fill its quota for all of the years for which such quotas are authorized. Any part of a quota for which such assurance is not given would be prorated to other foreign countries in the same manner as quota deficits. Nothing in this provision, however, would operate to limit in any way the reduction in quotas for future years for failure to fill quotas by shipment of the sugar to this country.

E. Quarterly limitations on imports.—Several amendments to sections 202 and 204 of the Sugar Act have been made to insure the integrity of the supply of raw sugar for refiners. The act establishes a delicate balance among the various supplying areas and countries and this balance must be maintained if the quota system established by the act is to work. The Secretary is required to determine and allocate deficits so as to assure availability of the sugar for importation during the calendar year. Further, to the extent then known, the Secretary is required to determine and allocate deficits not later than August 1 of each year.

The primary tool to be used to achieve the purposes of the act is adjustment of the consumption determination under section 201. If such adjustments would not, in the view of the Secretary, achieve these purposes, then under section 3 of the bill, the Secretary is authorized to impose import quota limitations on a quarterly basis.

These limitations may be imposed only during the first and second quarters of the calendar year, and then only if such action is necessary to achieve the objectives of the act. In no event shall such limitations prevent importation during the year of a country's entire quota as well as deficits allocated to it. This provision is necessary to counteract the adverse effect on domestic prices which could result from pushing sugar on this market early in the year when world prices are depressed below the U.S. price as they are at present. There was no comparable provision in the House bill.

Section 4. Deficits

Section 4 of the bill provides that deficits determined by the Secretary in domestic areas and foreign country quotas would be divided between the Philippines and Western Hemisphere countries (other than the French West Indies): 47.22 percent would go to the Republic of the Philippines and the remainder would be allocated to countries in the Western Hemisphere in ratio that they share in quotas. Notwithstanding this formula for allocating deficits the President may allocate any part of the Western Hemisphere share of a deficit to one or more Western Hemisphere countries if he determines such action would be in the national interest. If any of Cuba's quota is restored, the share for the Philippines would be reduced. Known deficits are to be allocated by August 1 of each year.

Section 5. Domestic allotments

Section 5 provides that if allotments of a domestic area's quota are in effect at the time of a reduction in the quota, amounts marketed in excess of the reduced allotment would be disregarded in determining that person's allotment for the next year, and the allotment for such person for the next year would be reduced by the amount of such excess marketings.

This section was amended by the committee to authorize the Secretary to give special consideration to the needs of nonaffiliated single-plant processors of sugarbeets subject to specified tonnage limitations. The House bill contained a similar provision for these small sugarbeet processors.

Section 6. Sugar-containing products

Section 6 prescribes a limit upon the authority of the Secretary to reduce the quantity of a sugar-containing product which may be imported during any calendar year, and requires a determination that

importation of the sugar-containing product would substantially interfere with the attainment of the objectives of the act before limitation may be imposed on the quantity imported.

Confectionery imports.—Section 206 of the Sugar Act provides for the imposition of import limitations on sugar-containing products under certain conditions. The language of the current law, the committee feels, is ambiguous and would be difficult to apply. Therefore, the bill contains a revision of this section.

A number of sugar-containing products, because of their nature, are not conducive to importing. However, a problem exists in reference to confectionery and chocolate. Imports are and have been increasing steadily for some years. In 1964 over 106 million pounds were imported.

Recent world raw sugar spot price quotations have been only slightly in excess of 2 cents per pound. Contrasted to this has been a domestic spot raw price of almost 7 cents per pound. When foreign manufacturers of confectionery manufacture products for shipment to the United States, they are able to acquire refined sugar which reflects the world price for raw sugar. With any such price spread, and even with considerably less of a price spread than now exists, a most serious competitive situation is presented to the domestic confectionery industry; and the committee believes the amendments made by this section of its bill adequately empower the Secretary to establish quotas on imports of confectionery and chocolate. The committee further believes that early action is desirable before imports increase further so as to avoid a contention by foreign suppliers of confectionery to the U.S. market that they have acquired a vested interest in the market.

Section 7. Direct consumption sugars

Section 7 restates the present limitation upon direct-consumption sugar from the Philippines in terms of short tons, raw value. It provides that none of the quota for any country other than the Philippines may be filled by direct-consumption sugar with the exception of the quotas for Ireland, Belgium, and Panama, in the respective amounts of 2,311 short tons, 182 short tons, and 3,817 short tons.

Section 8. Virgin Islands

Section 8 permits a person, to import in any year up to 100 pounds of sugar into the Virgin Islands from any foreign country. (This change conforms to treatment now provided in regulations applicable to imports into the continental United States.)

Section 9. Industrial alcohol

Section 9 recognizes improved technology in the manufacture of industrial alcohol. The present law exempts from quota control, sugar used in the distillation of alcohol. The amendment extends the exemption to sugar used in the production of alcohol by methods other than distillation if the alcohol or resulting products are not to be used for human consumption. There was no comparable provision in the House bill.

Section 10. Import fee

Section 10 repeals section 213 relating to import fees.

Sections 11 and 12. Miscellaneous

Sections 11 and 12 provide for annual hearings to consider the need for farm proportionate shares; for limiting the sugar beet acreage

reserve to the years 1962 through 1966, except for limited acreage for the 1966, 1967, and 1968 crops of sugarbeets to provide additional sugar marketing opportunity for certain small sugarbeet processors; for preserving sugarbeet production history where proportionate share acreage is relaxed; and for utilizing the facilities of the Commodity Credit Corporation to disburse payments to domestic producers of sugarbeets and sugarcane; and for the suspension of quotas or other importation of sugar for countries which expropriate or otherwise discriminate against property in those countries.

The sugarbeet acreage reserve provisions written in 1962 provide for expansion of the beet sugar industry through 1966.

This bill does not continue the reserve from market growth for new beet processing plants because there is a present surplus of beet production and, under the bill, the beet sugar area will not share in marketing growth until the consumption estimate for the United States exceeds 10.4 million tons. Rather than trying to make at this time any provision for expansion of the industry after that consumption level has been reached, the Committee on Finance, like the Committee on Agriculture of the House, believes that this matter should be considered independently and on its merits when U.S. consumption reaches the level where the beet area will once again share in the market growth and a provision for additional facilities would be meaningful.

The bill provides that during the period when the provisions of title II are suspended by the President, the Secretary is required to estimate and publish consumption requirements and foreign country quotas on the basis provided in the act, and if a country fails to import into the United States the amount of such estimated quota, the quota established for such country in subsequent years would be reduced.

The committee amendment includes a revision of subsection (c) of section 408 (relating to the authority of the President to suspend quotas for expropriation of the property of U.S. citizens) to authorize suspension of quotas for various acts contrary to U.S. interests.

The last amendment made by section 12 extends the Sugar Act through December 31, 1971, except that the foreign quotas provided by the bill are to apply for only 2 years—1966 and 1967.

Sections 13 and 14. Effective dates

These sections (1) extend the sugar tax provisions of the Internal Revenue Code through December 31, 1971, to conform to the extension of the Sugar Act, and (2) make the amendments under the bill apply as of January 1, 1965, except that the new deficit rules will not apply until 1966.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SUGAR ACT OF 1948, AS AMENDED

* * * * *

TITLE II—QUOTA PROVISIONS

ANNUAL ESTIMATE OF CONSUMPTION IN CONTINENTAL UNITED STATES

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the [month of December in] *last three months* of each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar years as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending [October 31] *September 30* next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers. The term "parity index" as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture.

PRORATION OF QUOTAS

SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

[(a)(1) For domestic sugar-producing areas, by appropriating among such areas five million eight hundred and ten thousand short tons, raw value as follows:

Area	Short tons, raw value
Domestic beet sugar-----	2, 650, 000
Mainland cane sugar-----	895, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	5, 810, 000

[(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.]

(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

(2)(A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas.

(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under

the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

[(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, of sugar.]

(b) *For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value.*

[(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

[(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

[(3) (A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons raw value, for 1963 and 1964, shall be prorated among such countries on the following basis:

Country	Per centum
Cuba.....	57.77
Peru.....	6.71
Dominican Republic.....	6.71
Mexico.....	6.71
Brazil.....	6.37
British West Indies.....	3.19
Australia.....	1.41
Republic of China.....	1.24
French West Indies.....	1.06
Colombia.....	1.06
Nicaragua.....	.88
Costa Rica.....	.88
Ecuador.....	.88
India.....	.71
Haiti.....	.71
Guatemala.....	.71
South Africa.....	.71
Panama.....	.53
El Salvador.....	.36
Paraguay.....	.35
British Honduras.....	.35
Fiji Islands.....	.35
Netherlands.....	.35

[(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963.) For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

[(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

[(4)(A) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

[(B) Of the quantity authorized for purchase and importation under subparagraph (A), the President is authorized to allocate to countries within the Western Hemisphere, for the six-month period ending December 31, 1962, an amount of sugar, raw value, not exceeding in the aggregate seventy-five thousand short tons, and for the calendar years 1963 and 1964, an amount of sugar, raw value, not exceeding in the aggregate one hundred and fifty thousand short tons.

[(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

[(6) Sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

[(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

[(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred. The provisions of this subsection shall not apply to sugar exported by any foreign country to the United States to fill any allocation made to it under subsection (c)(3)(C).

[(f) The quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.]

(c)(1) *For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.*

(2) *For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection, among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965, (30 F.R. 2206).*

(3) For calendar years 1966 and 1967, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

(A) For the following countries in the Western Hemisphere—

Country	Per centum
Cuba	57.77
Dominican Republic	7.90
Mexico	7.29
Peru	5.08
Brazil	5.08
British West Indies	2.28
Argentina	1.19
Ecuador	.93
Nicaragua	.76
Guatemala	.66
Costa Rica	.65
Colombia	.52
Haiti	.35
El Salvador	.32
Panama	.27
British Honduras	.08
Venezuela	.05

(B) For the following countries—

Country	Per centum
Australia	3.03
China, Republic of	1.26
South Africa	1.24
India	1.21
French West Indies	.80
Fiji Islands	.66
Mauritius	.28
Southern Rhodesia	.12
Swaziland	.12
Ireland	.04
Belgium	.03
Turkey	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, the French West Indies, and Belgium exceed the following:

Country	Short tons, raw value
Australia	68,478, plus .73 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa	28,024, plus .30 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
French West Indies	18,080.
Belgium	678."

(4) Subsections (d), (e), and (f) are hereby amended to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries

named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: *Provided, That in no event shall the quota established under this subsection for Australia, South Africa, the French West Indies, and Belgium exceed the following:*

Country	Short tons, raw value
Australia-----	93,674, plus 1.00 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	38,560, plus .41 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
French West Indies -	24,590, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	927, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2)(A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(3)(A) on the basis of the quotas then in effect for such countries.

(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term "quota" as defined in this Act shall include a temporary quota established under this subsection.

(2)(A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d)(1)(B): *Provided, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter*

reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

(3) No quota shall be established for any country other than Ireland for any year following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: Provided, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

(6) If any foreign country fails to give assurance to the Secretary, on or before December 31, 1965, that such country will fill the quota as established for it under subsections (c)(3) and (d)(1) of this section for years after 1965, the quota for such country for such years shall be reduced to the amount which the country gives assurance that it will fill for such years. The portion of the quota for such country for which such assurance is not given shall be withdrawn for such years and a quantity of sugar equal to such portion shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of applying paragraph (4) of this subsection, any reduction in the quota of a foreign country under this paragraph shall be disregarded.

(e) *Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d)(1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: Provided, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.*

(f) *Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.*

(g) *The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: Provided, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.*

(h) *The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d)(2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.*

PRORATION OF QUOTAS DEFICITS

SEC. 204. [(a) The Secretary shall from time to time determine whether, in view of the current inventory of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area of foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines by prorating to it an amount of sugar which bears the same ratio to the deficit as the quota for the Republic of the Philippines determined under section 202(b) then in effect bears to the sum of such quota for the Republic of the Philippines and of the prorations to foreign countries named in section 202(c)(3)(A) then in effect; and shall allocate an amount of sugar equal to the remainder of the deficit to foreign countries within the Western Hemisphere named in section 202(c)(3)(A): *Provided, That no part of any such deficit shall be prorated or allocated to any country not in diplomatic relations with the United States. If the Secretary determines that the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to foreign countries within the Western Hemisphere named in section 202(c)(3)(A): Provided, That no such*

allocation shall be made to any foreign country not in diplomatic relations with the United States. In making allocations for foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. If the Secretary determines that neither the Republic of the Philippines nor the countries within the Western Hemisphere named in section 202(c)(3)(A) can fill all of any such deficit whenever provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit. (7 U.S.C. 1114(a).)

[(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section.]

SEC. 204. (a) *The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries: Provided, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d)(1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c)(3)(A) may be allocated to one or more of such countries with a quota in effect of such basis as the President finds appropriate.*

(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: Provided, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure.

ALLOTMENTS OF QUOTAS OR PRORATIONS

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prevent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, Hawaii, or Puerto Rico, or may import or bring into continental United States for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugar beets or sugarcane, limited in any year when proportionate shares were in effect to processings to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation. In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person. *The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for*

establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single plant processor of sugarbeets: Provided, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value: Provided, further, That the total increases in marketing allotments made to processors in the domestic beet sugar area pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each calendar year. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made. If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount.

* * * * *

SUGAR-CONTAINING PRODUCTS

SEC. 206. [The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the*

sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.】

(a) *If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: Provided, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.*

(b) *In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.*

(c) *In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act.*

DIRECT CONSUMPTION SUGAR QUOTAS

Sec. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided, That*

one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

[(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

[(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar. The provisions of this paragraph shall not apply to any allocation made to a foreign country under section 202(c)(3)(C)].

(d) *Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.*

(e) *None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: Provided, That the quotas for Ireland and Panama may be filled by direct-consumption sugar to the extent of ten thousand short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama.*

(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

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PROHIBITED ACTS

SEC. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from Hawaii, Puerto Rico, the Virgin Islands, or foreign countries, (1) any sugar or liquid sugar after the applicable quota, or the proration of any such quota, has been filled, or (2) any direct-consumption sugar after the direct-consumption portion of any such quota or proration has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugar beets or sugarcane grown in either the domestic-beet-sugar area or the mainland cane-sugar area after the quota for such area has been filled;

(c) From marketing in either Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotment of any quota, direct-consumption portion of any quota, or proration or allocation of any quota, made to them pursuant to the provisions of this Act;

(e) From bringing or importing into the Virgin Islands for consumption therein, [any sugar or liquid sugar] any sugar or liquid sugar in excess of one hundred pounds in any calendar year produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.

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INAPPLICABILITY OF QUOTA PROVISIONS

SEC. 212. The provisions of this title shall not apply to (1) the first ten short tons, raw value, of sugar or liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in any calendar year; (2) the first ten short tons, raw value, of sugar or liquid imported from any foreign country, other than Cuba and the Republic of the Philippines, in any calendar year for religious, sacramental, educational, or experimental purposes; (3) liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in individual sealed containers of such capacity as the Secretary may determine, not in excess of one and one-tenth gallons each; or (4) any sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for the distillation of alcohol, including all polyhydric alcohols, or for livestock feed, or for the production of livestock feed, *or for the production (other than by distillation) of alcohol, including all polyhydric alcohols, but not including any such alcohol or resulting products for human consumption.*

* * * * *

[IMPORT FEE

[SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4)(A) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and

release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

[(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4)(A) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objectives set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4)(A) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4)(A) and (5) of section 202(c).]

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ESTABLISHMENT OF PROPORTIONATE SHARES FOR FARMS

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary, of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b)(1) [Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.]

(b) (1) *The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an*

informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane.

(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the "national sugarbeet acreage requirement") on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

(3) **[In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar.]** *In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized: Provided, however, That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for*

such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserved on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

(4) The allocation of the national sugarbeet acreage requirement, to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

(5) **[In determining farm proportionate shares.]** *Whether farm proportionate shares are or are not determined,* the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the pro-

visions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

(8) *In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.*

(9) *The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar raw value. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph.*

* * * * *

APPROPRIATIONS AND AVAILABILITY OF FUNDS

SEC. 402. (a) There is hereby authorized to be appropriated for each fiscal year for the purposes and administration of this Act the funds necessary to make the payments provided for in title III of this Act and such other amounts as the Congress determines to be necessary for such fiscal year to carry out the other provisions of the Act. (7 U.S.C. 1152(a).)

(b) All funds available for carrying out this Act shall be available for allotment to the bureaus and offices of the Department of Agriculture and for transfer to such other agencies of the Federal Government as the Secretary may request to cooperate or assist in carrying out the provisions of this Act. *The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: Provided, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such programs.*

* * * * *

SUSPENSION OF QUOTAS

SEC. 408. (a) Whenever pursuant to the provisions of this Act the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation, except as provided in section 207 of this Act, of all the provisions of title II above, and, thereafter, the operation of such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section. *During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: Provided, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year.*

(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. [Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.] *Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act.*

[(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and bind-

ing decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.】

(c) *In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act.*

* * * * *

TERMINATION OF ACT

SEC. 412. The powers vested in the Secretary under this Act shall terminate on December 31, [1966,] 1971 except that the Secretary shall have power to make payments under title III under programs applicable to the crop year [1966] 1971 and previous crop years.

INTERNAL REVENUE CODE OF 1954

CHAPTER 37

Subchapter A—Sugar

SEC. 4501. IMPOSITION OF TAX.

(a) GENERAL.—There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the rate of 0.53 cent per pound of the total sugars therein. The manufacturer shall pay the tax with respect to manufactured sugar (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and (2) which has not been so sold or used within 12 months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid). For the purpose of determining whether sugar has been sold or used within 12 months after it was manufactured, sugar shall be considered to have been sold or used in the order in which it was manufactured. (26 U.S.C. 4501(a).)

(b) TERMINATION OF TAX.—No tax shall be imposed under this subchapter on the manufacture or use of sugar or articles composed in chief value of sugar after June 30, [1967] 1972. Notwithstanding the provisions of subsection (a), no tax shall be imposed under this subchapter with respect to unsold sugar held by manufacturer on June 30, [1967] 1972, or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date.

* * * * *

SEC. 6418. SUGAR.

(a) USE AS LIVESTOCK FEED OR FOR DISTILLATION OR PRODUCTION OF ALCOHOL.—Upon the use of any manufactured sugar, or article manufactured therefrom, as livestock feed, or in the production of livestock feed, or for the distillation of alcohol, *or for the production of alcohol (other than alcohol produced for human consumption)*, there shall be paid by the Secretary or his delegate to the person so using such manufactured sugar, or article manufactured therefrom, the amount of any tax paid under section 4501 with respect thereto.

* * * * *

SEC. 6511. LIMITATIONS ON CREDIT OR REFUND.

* * * * *

(e) SPECIAL RULES IN CASE OF MANUFACTURED SUGAR.—

(1) USE AS LIVESTOCK FEED OR FOR DISTILLATION OR PRODUCTION OF ALCOHOL.—No payment shall be allowed under section 6418(a) unless within 2 years after the right to such payment has accrued a claim therefor is filed by the person entitled thereto.

MINORITY VIEWS ON SUGAR BILL

The sugar program for both domestic and foreign suppliers is the most highly subsidized commodity program of all. If this were a rational world, sugar would be grown in the Caribbean (where soil and climate cause costs to be low), imported into the United States, and the funds obtained by Caribbean countries for the sale of their sugar would, in turn, be used to buy American wheat, machinery, equipment, medicines, and other commodities in which we have a great natural advantage over them as they have a natural advantage over us in the production of sugar.

Instead, however, we have a domestic sugar program which pays tremendous subsidies to producers in order that it may be possible for sugar to be grown within the United States at all. In turn, under almost all features of past sugar programs and under both the administration bill and the House bill, foreign producers are, in turn, granted this highly subsidized American price. In effect, this is a tremendous windfall for most foreign producers.

If bananas were grown on Pike's Peak, and if the American Government subsidized the domestic producers in order to make it profitable and if we then, in turn, paid the producers of bananas in the Caribbean this same price, we would have almost an identical analogy to the sugar program.

The sugar program also has direct subsidies which former Secretary of Agriculture Brannon, whose proposals for other commodities have been heavily criticized by almost the same groups who support the sugar program, never dreamed of.

I

First of all, the total consumption for the country is set by the Department of Agriculture at 9.7 million tons a year. High prices are thus assured by limiting the amount of sugar which is available to refiners and consumers.

Second, production quotas are provided for each grower.

Third, production payments in the form of direct payments are made to growers. This amounts to from 30 to 80 cents per hundred-weight, or from \$6 to \$16 per ton depending upon the size of the farm or production unit.

In the 1964 crop year, \$90.5 million was paid in direct payments to producers. The average is about \$15 a ton. In the years since 1937, \$1.6 billion has thus been paid to producers under our domestic program.

Fourth, in addition to all this, marketing quotas are provided in order to limit the amount which is available for consumption. All this results in a domestic raw sugar price which, at present, is 6.85 cents a pound.

Fifth, in order to further protect the domestic producers and to increase the price to the consumer and to make it possible for sugar to

be grown domestically at all, a protective tariff of $62\frac{1}{2}$ cents per hundredweight is assessed against all foreign sugar except for Philippine sugar which now comes in at 50 cents per hundredweight and which will not reach $62\frac{1}{2}$ cents per hundredweight until 1975.

All of these provisions mean that the U.S. price on the average and over the years is considerably higher than the world price, which in the Caribbean is now about 2.1 cents a pound. After paying for freight and insurance, which amounts to about one-half cent per pound, and the tariff costs of 0.625 cent per pound, the price of Caribbean sugar in New York would be raised to 3.225 cents a pound. But, under the arrangements, the foreign shippers receive the highly subsidized American domestic price of 6.85 cents. This amounts to a subsidy of 3.6 cents per pound, or \$72 per ton over the world price—2.1 cents plus 0.5 cent plus 0.625 cent equals 3.225 cents; 6.85 cents minus 3.225 cents equals 3.6 cents per pound; 3.6 cents times 2,000 pounds equals \$72 per ton. For the 15-year period from 1950 to 1964, this bonus to foreign producers has amounted to 1.24 cents per pound, on the average, or \$24.80 a ton.

As a consequence, not only in this year but over a very long period of time, foreign producers have received tremendous bonuses or windfalls amounting to billions of dollars for the sugar they sell in the American market. This is the reason why they are so anxious to sell here and why there is such tremendous lobbying for a slice of this highly subsidized price.

The American consumer, therefore, is not only saddled with this high price, but, in addition, there is a processing tax of one-half cent per pound which is on top of the highly subsidized price and which is passed on to the consumer in the price he pays at retail. Last year this tax cost the American taxpayer and sugar consumer \$95.8 million and in the period from 1938 through 1964 these tax collections have amounted to \$2,144,533,392.

The consumer gets it in the neck. He pays an artificially high price in order that there be any domestic production at all. Foreigners who normally produce sugar at a cost of at least \$24 a ton below this highly subsidized price receive the subsidy also. And then the poor consumer pays through the nose by way of a processing tax.

I

WHO GETS THE SUBSIDY?

The following table gives the allocation of sugar under the proposed program:

	<i>Short tons</i>
Domestic beet.....	3, 025, 000
Mainland cane.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Subtotal.....	6, 390, 000
Philippines.....	1, 050, 000
Subtotal.....	7, 440, 000
Foreign.....	2, 260, 000
Total.....	9, 704, 000

Roughly 6.4 million tons is allocated to what is termed the American domestic market. The Philippines, under treaty arrangement, receive another 1.050 million tons. Finally, the remainder of 2.260 million tons is allocated to foreign producers.

At present world prices and at the \$72 per ton bonus, foreign suppliers will receive a bonus of about \$160 million a year, or \$800 million over the 5-year span of the House and administration proposals. Since the present world price is probably artificially low, it is perhaps fairer to use the average bonus of \$24 a ton over the last 15 years, which amounts to \$54 million a year—\$270 million over the 5 years of the proposed programs. So far as the consumer is concerned, this is only a small part of the price he pays both to domestic and foreign producers. At the present bonus of \$72 per ton for 9.7 million tons the consumer would pay almost \$700 million a year, or almost \$3.5 for 5 years in the form of total subsidies over the present world price.

One must add to both of these figures the approximate \$95 million per year, or \$475 million over the 5-year span of the program which the consumer pays by way of the processing tax.

These are indeed high prices and high charges with which the American consumer and taxpayer must be burdened for one of his basic needs of life.

III

During the Senate hearings on the bill, the Department of Agriculture spokesman agreed that the following list of 25 companies and the production payments they received for the 1963 crop year were substantially correct. That list follows:

U.S. Sugar Corp., Florida: \$1,104,613.05.
Hawaiian Commercial & Sugar Co., Ltd., Hawaii: \$1,074,520.77.
Oahu Sugar Co., Ltd., Hawaii: \$574,552.89.
C. Brewer Puerto Rico, Inc., Puerto Rico: \$569,233.42.
Lihue Plantation Co., Ltd., Hawaii: \$559,892.84.
Waialua Ag. Co., Ltd., Hawaii: \$549,392.78.
Okeelanta Sugar Refinery, Florida: \$548,282.33.
Luce & Co., Puerto Rico: \$539,645.20.
Ewa Plantation Co., Hawaii: \$460,721.35.
Pioneer Mill Co., Ltd., Hawaii: \$444,611.23.
Kekaha Sugar Co., Ltd., Hawaii: \$399,285.52.
Grove Farm Co., Ltd., Hawaii: \$368,795.14.
Pepeekeo Sugar Co., Hawaii: \$362,866.55.
Hawaiian Ag. Co., Hawaii: \$359,090.02.
South Coast Corp., Louisiana: \$356,593.10.
Antonio Roig Sucers. S. en C., Puerto Rico: \$346,517.03.
Laupahoehoe Sugar Co., Hawaii: \$344,705.63.
Kohala Sugar Co., Hawaii: \$332,175.94.
Olokele Sugar Co., Ltd., Hawaii: \$312,628.01.
Puna Sugar Co., Ltd., Hawaii: \$298,803.48.
Wailuku Sugar Co., Hawaii: \$296,631.39.
McBryde Sugar Co., Ltd., Hawaii: \$294,161.87.
Hutchinson Sugar Co., Ltd., Hawaii: \$287,647.39.
Suc J. Serralles, Puerto Rico: \$273,404.51.
Onomea Sugar Co., Hawaii: \$268,893.31.

We asked the Department of Agriculture to give us the names and amounts received by the next 25 biggest producers. The Department provided the following list.:

Sugar Act payments, 1963 crop

Name	Area	Payment
Southdown, Inc.	Louisiana	\$251,883.28
Hilo Sugar Co., Ltd.	Hawaii	219,527.59
Kahuku Plantation Co.	do	200,247.80
Honokan Sugar Co.	do	194,321.46
Gay & Robinson	do	176,998.15
Kilauea Sugar Co., Ltd.	do	169,638.86
Hamakua Mill Co.	do	162,312.03
Talisman Sugar Corp.	Florida	154,980.47
Florida Sugar Co.	do	153,802.09
Paauihau Sugar Co., Ltd.	Hawaii	139,861.57
Sterling Sugars, Inc.	Louisiana	136,333.69
Heirs of Gabriel Pla, deceased., et al.	Puerto Rico	123,096.72
Vicorp	Virgin Islands	120,479.24
A. Duda & Sons	Florida	111,248.35
Closter Farms, Inc.	do	109,001.18
Ramon Gonzalez Hernandez	Puerto Rico	108,592.20
Milliken & Farwell, Inc.	Louisiana	104,974.05
A. Wilbert & Sons L & S Co.	do	99,725.55
M. Mercado E. Hijos (partnership)	Puerto Rico	94,819.57
Oseola Farms Co.	Florida	93,579.29
South Florida Sugar Co.	do	93,306.84
Antonia Cabassa Vda Fajardo et al.	Puerto Rico	92,588.87
Sugarcane Farms Co.	Florida	89,359.60
715 Farms, Ltd.	do	80,195.02
Savoie Industries	Louisiana	77,729.96

These 50 largest producers received almost \$14.7 million, or 16 percent of the \$90.8 million paid to producers under the act in the 1963 crop year.

All this indicates that the bonus subsidies are received by a comparatively few big producers.

It can hardly be argued that in these cases the program supports the small farmer.

IV

It is probably impossible because of the long-time institutional arrangements involved to make any fundamental change in the domestic program at this time. And we in the Senate are never permitted to vote on the sugar program except at the end of a session when there is little or no time left. But there seems to be no justification whatsoever to extend this highly subsidized price to other countries, and we already know how to prevent this.

The following is the list of countries and the quotas that have been recommended for the next 5 years under both the administration bill and the House bill.

DISTRIBUTION OF FOREIGN SUGAR QUOTAS

Comparison of administration recommendation and House committee agreement

[Assumed consumption estimate of 9,700,000 tons]

	Administration recommendation	House committee agreement	Change from administration recommendation	
			Increase	Decrease
For countries in the Western Hemisphere: ¹				
Cuba.....				
Mexico.....	390,135	340,925		49,210
Dominican Republic.....	385,854	340,925		44,929
Brazil.....	221,558	340,925	119,367	
Peru.....	240,824	272,013	31,189	
British West Indies.....	122,017	150,397	28,380	
Ecuador.....	49,770	50,267	497	
French West Indies.....	50,841	42,970		7,871
Colombia.....	27,829	42,970	15,141	
Costa Rica.....	34,786	42,159	7,373	
Nicaragua.....	40,672	38,511		2,161
Guatemala.....	35,321	32,836		2,485
Venezuela ²	2,676	30,809	28,133	
El Salvador.....	17,125	30,403	13,278	
Haiti.....	18,731	28,782	10,051	
Panama.....	14,449	25,134	10,685	
Argentina ²	63,685	21,485		42,200
British Honduras.....	4,281	19,864	15,583	
Bolivia ²		4,054	4,054	
Honduras ²		4,054	4,054	
Subtotal.....	1,720,554	1,859,483	287,775	148,856
For countries outside the Western Hemisphere: ¹				
Australia.....	186,772	162,152		24,620
Republic of China.....	67,431	67,293		138
India.....	96,865	64,861		32,004
South Africa.....	96,865	29,593		67,272
Fiji.....	45,489	24,323		21,166
Thailand ²		19,864	19,864	
Mauritius ²	14,985	14,188		797
Swaziland ²	9,098	6,081		3,017
Southern Rhodesia ²	9,098	6,081		3,017
Malagasy Republic ²	7,492	6,081		1,411
Ireland.....	2,141			2,141
Belgium.....	1,605			1,605
Turkey.....	1,605			1,605
Subtotal.....	539,446	400,517	19,864	158,793
Total.....	2,260,000	2,260,000	307,649	307,649

¹ Proposed new quotas.² Netherlands, 0.35 percent; Paraguay, 0.35 percent dropped. Failed to fill quota under 1962 act.

When asked for a justification of these grants, the administration witnesses first argued that this was a form of aid. When such countries as Australia, the Republic of China, South Africa, Belgium, and others, were mentioned to them and when they were asked to justify aid to these countries, they were unable to do so.

They were then questioned as to why both British and French protectorates, possessions, or dependencies were included, as they already are under both the French and British subsidized program. Here it was argued that we have a policy of nondiscrimination and make no distinction between and among countries to receive this largess. It was quickly pointed out to them that both the British and the French in their sugar programs do not practice such a policy of nondiscrimination. In the case of the French, they buy sugar only from their domestic producers or foreign possessions. In the case of the British, 80 percent of their sugar is purchased from their own possessions at a premium price, but the remaining 20 percent is pur-

chased on the world market at world prices which of course are below their subsidized prices.

At one point, it was argued that balance-of-payments considerations played a part in determining which country was on the list. It was shortly pointed out to the administration spokesmen, especially in the case of French possessions, the dollar exchanges they receive will go to the French treasury and, under the present policies of General de Gaulle, will then be used as claims on the American dollar which, in turn, will harm—not help—our balance of payments.

In the case of South Africa, such an argument is absurd for they are the largest gold-producing nation in the world and do not need further increases in their balance of payments at out expense.

With respect to the administration argument that the highly subsidized price is helpful to these countries economically, it was pointed out that, in most countries, the payments go to a relatively small number of sugar producers in these countries and that it is only fortuitous if such payments end up in the hands of the workers and consumers of these countries; that in many cases large sums have gone into Swiss banks; and that no conditions of any kind—namely, that the countries use the funds for schools or roads or needed public facilities, or agree to proceed with tax reforms or land reforms, or that they help in any way to support or defend interest of the United States or our common interests in defense and foreign policy—are imposed.

Finally, the administration supporters fell back on the argument that their quotas were based on the fact that the formula they produced gave additional credit to certain countries for helping to supply sugar to us in 1963 and 1964 when supplies were short, at some cost to them. But it was quickly determined by simple calculation that they had already recouped in 1965 for any profits foregone in 1963 and 1964. And that under the projected 5-year program of the House and administration bills and the bonuses which would be provided, each of these countries would recoup in the 5-year period many times any monetary loss they might conceivably have suffered in the 1963-64 period.

V

WHAT SHOULD WE DO?

We believe that the 2.26 million tons which the United States buys abroad should be purchased at the average world price over the last 15 years, or at about 4.22 cents per pound. Shipping costs and the tariff are also a proper cost of laying down sugar in our market. The difference between the average world price and the highly subsidized American price should be recouped by way of an import tax and placed in the Treasury. These funds, in turn, could be used for the Alliance for Progress in order to assure that the premium payments do in fact go to the ordinary people in the Alliance for Progress countries and not to the wealthy overlords. This proposal has several economic and social advantages:

1. First, it would not use the presently depressed world price as a basis for buying the sugar but a fair price based on a 15-year average world price which most observers agree is one which covers the cost of production.

2. While it would not reduce prices to the American consumer, it would nonetheless provide funds for the Alliance for Progress which the consumer as a taxpayer would otherwise have to pay. To that degree it would be a saving to the American consumer and the taxpayer.

3. It would assure that the funds went to the people and not to the big landowners and/or into Swiss banks.

4. It would help to do away with the unseemly lobbying and pressures which have brought this program into disrepute. These pressures and high fees for lobbyists naturally exist when such huge subsidies and windfalls are at stake.

5. The present foreign quotas are basically the old Cuban quota, redistributed among these producers. Countries which receive a quota at the present high prices are naturally not anxious to lose the quota. To this degree, there is less interest than there would otherwise be on the part of those who receive quotas for Cuba to become free again and to regain her old quota at the expense of those who now have a slice of it.

Thus, this proposal would help in our struggle for a free Cuba by diminishing the self-interest on the part of sugar interests elsewhere to keep Castro in power.

Some may argue that we have a special relationship with Latin America and that, if it is our policy to defend the Western Hemisphere against the inroads of communism or a Communist takeover in a particular country, we also have an American obligation to them which, in part, can be made through the sugar program. Even if one accepts this argument, and after Santo Domingo it has real force, surely we have no economic obligation in the form of sugar subsidies to areas outside the Western Hemisphere, and especially the 10 countries outside the Western Hemisphere given quotas under the House bill or the 12 countries under the original administration bill.

Furthermore, we have certainly no special obligation under the sugar program to those British and French possessions in the Caribbean which are already under the British or French programs. This is especially true since the British and French take no sugar at their highly subsidized price from any but British or French possessions.

Finally, we certainly have no obligation to a country such as Haiti with its cruel dictatorship and which could hardly qualify under any of the loose arguments put forward by the State and Agriculture Departments' witnesses.

We believe that we should try our best to do what is best in this program and to impose an import fee on all of the foreign producers. Failing that, we should at least impose such a fee on the sugar we receive outside the Western Hemisphere and from the British and French possessions inside the Western Hemisphere and Haiti.

If the Senate or Congress is unwilling to do any of these things, we believe Congress should postpone the foreign aspects of the bill until such time as the Senate committee and the Senate as a whole have the time to make a determination on this complicated subject in a rational way.

PAUL H. DOUGLAS.
ALBERT GORE.

Calendar No. 895

89TH CONGRESS
1ST SESSION

H. R. 11135

[Report No. 909]

IN THE SENATE OF THE UNITED STATES

OCTOBER 15, 1965

Read twice and referred to the Committee on Finance

OCTOBER 18, 1965

Reported, under authority of the order of the Senate of October 18, 1965, by
Mr. LONG of Louisiana, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To amend and extend the provisions of the Sugar Act of 1948,
as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Sugar Act Amendments
4 of 1965".

5 SEC. 2. Section 201 of the Sugar Act of 1948, as
6 amended, is amended (1) by striking out of the first sen-
7 tence the words "month of December in" and substituting
8 the words "last three months of"; and (2) by striking out
9 of the second sentence "October 31" and substituting "Sep-
10 tember 30".

1 SEC. 3. Section 202 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 ~~(1)~~ Paragraphs ~~(1)~~ and ~~(2)-(A)~~ of subsection ~~(a)~~
4 are amended to read as follows:

5 “~~(a)~~ ~~(1)~~ For domestic sugar-producing areas, by appor-
6 tioning among such areas six million three hundred and
7 ninety thousand short tons, raw value, as follows:

“Area	Short tons, raw value
Domestic beet sugar-----	2, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

8 “~~(2)-(A)~~ To or from the above total of six million
9 three hundred and ninety thousand short tons, raw value,
10 there shall be added or deducted, as the case may be, an
11 amount equal to 65 per centum of the amount by which the
12 Secretary’s determination of requirements of consumers in
13 the continental United States pursuant to section 201 for
14 the calendar year exceeds ten million four hundred thou-
15 sand short tons, raw value, or is less than nine million seven
16 hundred thousand short tons, raw value. Such amount shall
17 be apportioned between the domestic beet sugar area and
18 the mainland cane sugar area on the basis of the quotas for
19 such areas established under paragraph ~~(1)~~ of this subsec-

1 tion and the amounts so apportioned shall be added to, or
2 deducted from the quotas for such areas."

3 ~~(2)~~ Subsection ~~(b)~~ is amended to read as follows:

4 "~~(b)~~ For the Republic of the Philippines, in the amount
5 of one million and fifty thousand short tons, raw value, plus
6 10.86 per centum of the amount, not exceeding seven hun-
7 dred thousand short tons, raw value, by which the Secre-
8 tary's determination of requirements of consumers in the
9 continental United States pursuant to section 201 for the
10 calendar year exceed nine million seven hundred thousand
11 short tons, raw value."

12 ~~(3)~~ Subsection ~~(c)~~ is amended to read as follows:

13 "~~(c)~~~~(1)~~ For foreign countries other than the Republic
14 of the Philippines, an amount of sugar, raw value, equal
15 to the amount determined pursuant to section 201 less the
16 sum of the quotas established pursuant to subsection ~~(a)~~
17 and ~~(b)~~ of this section.

18 "~~(2)~~ For the calendar year 1965, for individual foreign
19 countries other than the Republic of the Philippines, by pro-
20 rating the amount of sugar determined under paragraph ~~(1)~~
21 of this subsection among foreign countries on the basis of the
22 quotas established in sugar regulation 811, as amended,
23 issued February 15, 1965 (30 F.R. 2206).

1 “(3) For the calendar year 1966 through 1971, in-
 2 clusive, for individual foreign countries other than the
 3 Republic of the Philippines, Ireland, and the Bahama
 4 Islands, by prorating the amount of sugar determined under
 5 paragraph (1) of this subsection, less the amounts required
 6 to establish quotas as provided in paragraph (1) of this
 7 subsection for Ireland and the Bahama Islands, among for-
 8 eign countries on the following basis:

9 “(A) For countries in the Western Hemisphere:

“Country	Per centum
Cuba.....	41.25
Mexico.....	8.41
Dominican Republic.....	8.41
Brazil.....	8.41
Peru.....	6.71
British West Indies.....	2.71
Ecuador.....	1.24
French West Indies.....	1.06
Colombia.....	1.06
Costa Rica.....	1.04
Nicaragua.....	.95
Guatemala.....	.81
Venezuela.....	.76
El Salvador.....	.75
Haiti.....	.71
Panama.....	.62
Argentina.....	.53
British Honduras.....	.49
Bolivia.....	.40
Honduras.....	.40

10 “(B) For countries outside the Western Hemisphere:

“Country	Per centum
Australia.....	4.00
Republic of China.....	1.66
India.....	1.60
South Africa.....	.73
Fiji.....	.60
Thailand.....	.49
Mauritius.....	.35
Swaziland.....	.15
Southern Rhodesia.....	.15
Malagasy Republic.....	.15

1 “(4) for the calendar year 1966 and each subsequent
 2 calendar year, for Ireland, in the amount of ten thousand
 3 short tons, raw value, of sugar; and for the calendar year
 4 1968 and each subsequent calendar year, for the Bahama
 5 Islands, in the amount of ten thousand short tons, raw value,
 6 of sugar: *Provided*, That the Secretary obtains such assur-
 7 ances from each such country as he may deem appropriate
 8 prior to January 1 of each such calendar year that the quota
 9 for such year will be filled with sugar produced in such
 10 country.”

11 ~~(4)~~ Subsections ~~(d)~~, ~~(e)~~, and ~~(f)~~ are hereby amended
 12 and subsection ~~(g)~~ is added to read as follows:

13 “(d) Notwithstanding any other provision of this Act—

14 ~~“(1) (A)~~ During the current period of suspension
 15 of diplomatic relations between the United States and
 16 Cuba, the quota provided for Cuba under subsection ~~(e)~~
 17 shall be withheld and a quantity of sugar equal to such
 18 quota shall be prorated as follows:

19 ~~“(i)~~ any quantity of quota withheld from Cuba
 20 at a determination up to and including the amount
 21 of ten million short tons, raw value, under section
 22 201 shall be prorated to other foreign countries
 23 named in paragraph ~~(3)~~ of subsection ~~(e)~~ on the
 24 basis of the percentages stated therein; and, in
 25 addition,

1 ~~“(ii) any quantity of quota withheld from~~
2 Cuba at a determination in excess of the amount of
3 ten million short tons, raw value, under section 201,
4 shall be prorated to other foreign countries named
5 in paragraph ~~(3)-(A)~~ of subsection ~~(c)~~ that are
6 members of the Organization of American States on
7 the basis of the percentages stated therein.

8 ~~“(B) Whenever and to the extent that the Presi-~~
9 dent finds that the establishment or continuation of a
10 quota or any part thereof for any foreign country would
11 be contrary to the national interest of the United States,
12 such quota or part thereof shall be withheld or sus-
13 pended, and such importation shall not be permitted.
14 A quantity of sugar equal to the amount of any quota
15 so withheld or suspended shall be prorated to the other
16 countries listed in subsection ~~(c)-(3)-(A)~~ (other than
17 any country whose quota is withheld or suspended) on
18 the basis of the quotas then in effect for such countries.

19 ~~“(C) The quantities of sugar prorated pursuant to~~
20 the foregoing provisions of this subsection shall be desig-
21 nated as temporary quotas and the term ‘quota’ as
22 defined in this Act shall include a temporary quota
23 established under this subsection.

24 ~~“(2)-(A) Whenever the Secretary finds that it is~~
25 not practicable to obtain the quantity of sugar needed

1 from foreign countries to meet any increase during the
2 year in the requirements of consumers under section 201
3 by apportionment to countries pursuant to subsections
4 (b) and (c) and the foregoing provisions of this sub-
5 section, such quantity of sugar may be imported on a
6 first-come, first-served basis from any foreign country,
7 except that no sugar shall be authorized for importation
8 from Cuba until the United States resumes diplomatic
9 relations with that country and no sugar shall be author-
10 ized for importation hereunder from any foreign country
11 with respect to which a finding by the President is in
12 effect under subsection (d) (1) (B): *Provided*, That
13 such finding shall not be made in the first nine months
14 of the year unless the Secretary also finds that limited
15 sugar supplies and increases in prices have created or
16 may create an emergency situation significantly inter-
17 fering with the orderly movement of foreign raw sugar
18 to the United States. In authorizing the importation
19 of such sugar the Secretary shall give special considera-
20 tion to countries which agree to purchase for dollars
21 additional quantities of United States agricultural prod-
22 ucts. In the event that the requirements of consumers
23 under section 201 are thereafter reduced in the same
24 calendar year, an amount not exceeding such increase in
25 requirements shall be deducted pro rata from the quotas

1 established pursuant to subsection ~~(c)~~ and this sub-
2 section.

3 “~~(B)~~ Sugar imported under the authority of this
4 paragraph ~~(2)~~ shall be raw sugar, except that if the
5 Secretary determines that the total quantity is not rea-
6 sonably available as raw sugar, he may authorize the
7 importation for direct consumption of so much of such
8 quantity as he determines may be required to meet the
9 requirements of consumers in the United States.

10 “~~(3)~~ No quota shall be established for any country
11 for any of the years following a period of twenty-four
12 months, ending June 30 prior to the establishment of
13 quotas for such year, in which its aggregate imports
14 of sugar equaled or exceeded its aggregate exports of
15 sugar from such country to countries other than the
16 United States.

17 “~~(4)~~ Whenever in any calendar year any foreign
18 country fails, subject to such reasonable tolerance as the
19 Secretary may determine, to fill the quota as established
20 for it pursuant to this Act, the quota for such country
21 for subsequent calendar years shall be reduced as fol-
22 lows:

23 “~~(A)~~ the quota established under section 202
24 ~~(b)~~, and the quotas established under sections
25 202~~(c)~~ and 202~~(d)~~ ~~(1)~~ for any country having a

1 quota at the end of the preceeding year of less than
 2 two hundred thousand short tons, raw value, shall be
 3 reduced by the smaller of (i) the amount by which
 4 such country failed to fill such quota or (ii) the
 5 amount by which its exports of sugar to the United
 6 States in the year such quota was not filled were
 7 less than 115 per centum of such quota for the
 8 preceeding calendar year: *Provided*, That in no
 9 event shall the quota for the Republic of the Philip-
 10 pines be reduced to an amount less than nine hun-
 11 dred and eighty thousand short tons, raw value, of
 12 sugar; and

13 “(B) the quota established under section 202
 14 (c) and section 202(d)(1) for any such coun-
 15 try having a quota at the end of the preceeding cal-
 16 endar year of two hundred thousand short tons, raw
 17 value, or more shall be reduced by the smaller of (i)
 18 the amount by which such country failed to fill such
 19 quota or (ii) the amount by which its exports of
 20 sugar to the United States in the year such quota
 21 was not filled were less than 130 per centum of such
 22 quota for the preceeding calendar year: *Provided*,
 23 That (i) no such reduction under either subpara-
 24 graphs (A) or (B) shall be made if the country

1 has notified the Secretary before August 1 of
2 such year (or, with respect to events occurring
3 thereafter, as soon as practicable after such events),
4 of the likelihood of such failure and the Secretary
5 finds that such failure was due to crop disaster or
6 other force majeure, unless such country exported
7 sugar in such year to a country other than the
8 United States, in which case the reduction in quota
9 for the subsequent years shall be limited to the
10 amount of such exports, as determined by the
11 Secretary, and (ii) the reduction in quota for any
12 country having a quota established under section
13 202(c) and section 202(d)(1) at the end of the
14 preceding calendar year of two hundred thousand
15 short tons, raw value, or more shall be limited, if the
16 quota for any such country on July 1 of the year
17 in which such quota was not filled is less
18 than 130 per centum of its quota for the pre-
19 ceding calendar year, to the larger of (1) the
20 amount by which its exports of sugar to the United
21 States in the year such quota was not filled were less
22 than 115 per centum of the quotas for the pre-
23 ceding year or (2) the amount by which its
24 exports of sugar to the United States in the year

such quota was not filled were less than such quota on July 1.

~~“(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (e).”~~

~~“(e) Whenever the President finds that it is in the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d)(1)(B) of this section, and, in the case of Cuba under subsection (d)(1)(A) of this section, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the~~

1 extent necessary to restore the quota in accordance with
2 the provisions of this subsection.

3 “(f) Whenever any quota is required to be reduced
4 pursuant to subsection (e) or because of a reduction in
5 the requirements of consumers under section 204 of this
6 Act, and the amount of sugar imported from any country
7 or marketed from any area at the time of such reduction
8 exceeds the reduced quota, the amount of such excess shall,
9 notwithstanding any other provision of this section, be de-
10 ducted from the quota established for such country or
11 domestic area for the next succeeding calendar year.

12 “(g) The quota established for any foreign country
13 and the quantity authorized to be imported from any country
14 under subsection (d)-(2) of this section may be filled only
15 with sugar produced from sugarbeets or sugarcane grown
16 in such country.”

17 SEC. 4. Section 204 of the Sugar Act of 1948, as
18 amended, is amended to read as follows:

19 “SEC. 204. (a) The Secretary shall from time to time
20 determine whether, in view of the current inventories of
21 sugar, the estimated production from the acreage of sugar-
22 cane or sugarbeets planted, the normal marketings within a
23 calendar year of new-crop sugar, and other pertinent factors,
24 any area or country will be unable to market the quota for
25 such area or country. If the Secretary determines that any

1 domestic area or foreign country listed in section 202(c)
2 ~~(3)(A)~~ will be unable to market its quota, he shall revise
3 the quota for the Republic of the Philippines by allocating to
4 it an amount of sugar equal to 47.22 per centum of the
5 deficit, and shall allocate an amount of sugar equal to the
6 remainder of the deficit to the countries listed in section
7 202(c) ~~(3)(A)~~ on the basis of the quotas then in effect
8 for such countries: *Provided*, That any deficit resulting from
9 the inability of a country which is a member of the Central
10 American Common Market to fill its quota shall first be
11 allocated to the other member countries on the basis of
12 the quotas then in effect for such countries: *And provided fur-*
13 *ther*, That if any quota is restored to Cuba, the maximum
14 per centum of 47.22 of the deficit to be allocated to the
15 Republic of the Philippines shall be reduced to a per centum
16 equal to that which the Philippine quota under subsection
17 ~~(b)~~ of section 202 bears to the sum of such Philippine quota
18 and the quotas then in effect for all foreign countries pursu-
19 ant to subsection ~~(c)~~ of section 202. If the Secretary
20 determines the Republic of the Philippines will be unable to
21 fill its share of any deficit determined under the foregoing
22 provisions of this subsection, he shall allocate such unfilled
23 amount to the countries listed in section 202(c) ~~(3)(A)~~
24 on the basis of the quotas then in effect for such countries.
25 If the Secretary determines that neither the Republic of

1 the Philippines nor the countries listed in section 202(c)
2 ~~(3)-(A)~~ can fill all of any such deficit, he shall apportion
3 such unfilled amount on such basis and to such foreign
4 countries as he determines is required to fill such deficit.
5 If the Secretary determines that any foreign country with
6 a quota established pursuant to section 202(c)~~(3)-(B)~~
7 or section 202(c)~~(4)~~ will be unable to market the quota
8 for such area or country, he shall revise the quota for the
9 Republic of the Philippines by allocating to it an amount
10 of sugar equal to 47.22 per centum of the deficit, and
11 shall allocate an amount of sugar equal to the remainder
12 of the deficit to the countries listed in section 202(c)~~(3)~~
13 ~~(B)~~ on the basis of the quotas then in effect for such coun-
14 tries: *Provided*, That if any quota is restored to Cuba, the
15 maximum per centum of 47.22 of the deficit to be allocated
16 to the Republic of the Philippines shall be reduced to a per
17 centum equal to that which the Philippine quota under sub-
18 section ~~(b)~~ of section 202 bears to the sum of such Philip-
19 pine quota and the quotas then in effect for all foreign coun-
20 tries pursuant to subsection ~~(c)~~ of section 202. If the Sec-
21 retary determines the Republic of the Philippines will be un-
22 able to fill its share of any deficit determined for any country
23 listed in section 202(c)~~(3)-(B)~~, he shall allocate such
24 unfilled amount to the countries so listed on the basis of the
25 quotas then in effect for such countries. If the Secretary de-

1 terminates that neither the Republic of the Philippines nor
2 the countries listed in section 202-(c)-(3)-(B) can fill all of
3 any such deficit, he shall apportion such unfilled amount on
4 such basis and to such foreign countries as he determines is
5 required to fill such deficit. Deficits shall not be allocated
6 to any country whose quota has been suspended or withheld
7 pursuant to subsection (d)-(1) of section 202. The Secere-
8 tary shall insofar as practicable determine and allocate
9 deficits so as to assure the availability of the sugar for im-
10 portation during the calendar year. In any event, any
11 deficit, so far as then known, shall be determined and allo-
12 cated by August 1 of the calendar year. Notwithstanding
13 the foregoing provisions of this subsection, if the President
14 determines that such action would be in the national interest,
15 any part of a deficit which would otherwise be allocated to
16 countries listed in section 202-(c) may be allocated to one or
17 more of such countries with a quota in effect on such basis
18 as the President finds appropriate.

19 “(b) The quota established for any domestic area or
20 any foreign country under section 202 shall not be reduced
21 by reason of any determination of a deficit existing in any
22 calendar year under subsection (a) of this section: *Provided,*
23 That the quota for any foreign country shall be reduced to
24 the extent that it has notified the Secretary that it cannot
25 fill its quota and the Secretary has found under section 202

1 ~~(d)-(4)~~ that such failure was due to crop disaster or other
2 force majeure.

3 SEC. 5. Section 205 of the Sugar Act of 1948, as
4 amended, is amended, ~~(1)~~ by inserting after the third
5 sentence thereof the following two new sentences: "The
6 Secretary is also authorized in making such allotments of a
7 quota for the mainland cane sugar area for any calendar
8 year after 1966 to take into consideration, in lieu of or in
9 addition to the foregoing factors of processing, past market-
10 ings, and ability to market, the need of establishing an allot-
11 ment which will permit such marketing of sugar as is neces-
12 sary for reasonably efficient operation during each of the first
13 two years of operation of a new sugarcane processing facility
14 or mill that begins the production of sugar from sugarcane
15 for the first time after the calendar year 1966. The Seere-
16 tary is also uauthorized in making such allotments of a quota
17 for any calendar year to take into consideration, in lieu of
18 or in addition to the foregoing factors of processing, past
19 marketings, and ability to market, the need for establishing
20 an allotment which will permit such marketing of sugar as is
21 necessary for the reasonably efficient operation of any non-
22 affiliated single plant processor of sugarbeets or any processor
23 of sugarcane and as may be necessary to avoid unreasonable
24 carryover of sugar in relation to other processors in the
25 area: *Provided*, That the marketing allotment of any such

1 processor of sugarbeets shall not be increased under this pro-
 2 vision above an allotment of twenty-five thousand short tons;
 3 raw value, and the marketing allotment of a processor of
 4 sugarcane shall not be increased under this provision above
 5 an allotment equal to the effective inventory of sugar of such
 6 processor on January 1 of the calendar year for which such
 7 allotment is made, except that the marketing allotment for
 8 1965 of a processor of sugarcane, other than a processor-
 9 refiner, who had a physical inventory of sugar on January 1,
 10 1964, equal to 55 per centum or more of his 1963 crop pro-
 11 duction may be increased by an additional six thousand
 12 two hundred short tons of sugar, raw value: *Provided,*
 13 *further,* That the total increases in marketing allotments
 14 made to processors in the domestic beet sugar and main-
 15 land cane sugar areas pursuant to this sentence shall be
 16 limited to twenty-five thousand short tons of sugar, raw
 17 value, for each such area for each calendar year.”; and (2)
 18 by adding at the end of subsection (a) the following sen-
 19 tence: “If allotments are in effect at the time of a reduction
 20 in a domestic area quota for any year, the amount marketed
 21 by a person in excess of the amount of his allotment as re-
 22 duced in conformity with the reduction in the quota shall
 23 not be taken into consideration in establishing an allotment
 24 in the next succeeding year for such person, and any allot-

1 ment established for such person for the next succeeding year
2 shall be reduced by such excess amount."

3 SEC. 6. Section 206 of the Sugar Act of 1948, as
4 amended, is amended to read as follows:

5 "SEC. 206. (a) If the Secretary determines that the
6 prospective importation or bringing into the continental
7 United States, Hawaii, or Puerto Rico of any sugar-contain-
8 ing product or mixture will substantially interfere with the
9 attainment of the objectives of this Act, he may limit the
10 quantity of such product or mixture to be imported or
11 brought in from any country or area to a quantity which
12 he determines will not so interfere: *Provided*, That the
13 quantity to be imported or brought in from any country or
14 area in any calendar year shall not be reduced below the
15 average of the quantities of such product or mixture annually
16 imported or brought in during the most recent three con-
17 secutive years for which reliable data of the importation or
18 bringing in of such product or mixture are available.

19 "(b) In the event the Secretary determines that the
20 prospective importation or bringing into the continental
21 United States, Hawaii, or Puerto Rico, of any sugar-
22 containing product or mixture will substantially interfere
23 with the attainment of the objectives of this Act and there
24 are no reliable data available of such importation or bring-
25 ing in of such product or mixture for three consecutive years;

1 he may limit the quantity of such product to be imported
2 or brought in annually from any country or area to a quan-
3 tity which the Secretary determines will not substantially
4 interfere with the attainment of the objectives of the Act,
5 provided that such quantity from any one country or area
6 shall not be less than a quantity containing one hundred
7 short tons, raw value of sugar or liquid sugar.

8 “(c) In determining whether the actual or prospective
9 importation or bringing into the continental United States,
10 Hawaii, or Puerto Rico of a quantity of a sugar-containing
11 product or mixture will or will not substantially interfere
12 with the attainment of the objectives of this Act, the Secere-
13 tary shall take into consideration the total sugar content of
14 the product or mixture in relation to other ingredients or to
15 the sugar content of other products or mixtures for similar
16 use, the costs of the mixture in relation to the costs of its
17 ingredients for use in the continental United States, Hawaii,
18 or Puerto Rico, the present or prospective volume of im-
19 portations relative to past importations, the type of packag-
20 ing, whether it will be marketed to the ultimate consumer in
21 the identical form in which it is imported or the extent to
22 which it is to be further subjected to processing or mixing
23 with similar or other ingredients, and other pertinent infor-
24 mation which will assist him in making such determination:
25 In making determinations pursuant to this section, the Sec-

1 retary shall conform to the rulemaking requirements of sec-
2 tion 4 of the Administrative Procedure Act.”

3 SEC. 7. Subsections (d) and (e) of section 207 of the
4 Sugar Act of 1948, as amended, are amended as follows:

5 “(d) Not more than fifty-nine thousand nine hundred
6 and twenty short tons, raw value, of the quota for the Re-
7 public of the Philippines may be filled by direct-consumption
8 sugar.

9 “(e) None of the quota established for any foreign
10 country other than the Republic of the Philippines and none
11 of the deficit prorations and apportionments for any foreign
12 country established under or in accordance with section
13 204(a) may be filled by direct-consumption sugar: *Pro-*
14 *vided*, That the quotas for Ireland, and Panama may be filled
15 by direct-consumption sugar to the extent of ten thousand
16 short tons, raw value, for Ireland and three thousand eight
17 hundred and seventeen short tons, raw value, for Panama.”

18 SEC. 8. Section 209 of the Sugar Act of 1948, as
19 amended, is amended by striking from subsection (e) thereof
20 the words “any sugar or liquid sugar” and inserting in lieu
21 thereof the following: “any sugar or liquid sugar in excess
22 of one hundred pounds in any calendar year”.

23 SEC. 9. Section 213 of the Sugar Act of 1948, as
24 amended, is repealed.

1 SEC. 10. Section 302 of the Sugar Act of 1948, as
2 amended, is amended as follows:

3 ~~(1)~~ Paragraph ~~(1)~~ of subsection ~~(b)~~ is amended to
4 read as follows:

5 “~~(b)~~ ~~(1)~~ The Secretary shall determine for each crop
6 year whether the production of sugar from any crop of sugar-
7 beets or sugarcane will, in the absence of proportionate
8 shares, be greater than the quantity needed to enable the
9 area to meet its quota and provide a normal carryover in-
10 ventory, as estimated by the Secretary for such area for the
11 calendar year during which the larger part of the sugar
12 from such crop normally would be marketed. Such deter-
13 mination shall be made only with respect to the succeeding
14 crop year and, beginning with the 1966 crop year, only
15 after due notice and opportunity for an informal public
16 hearing. If the Secretary determines that the production
17 of sugar from any crop of sugarbeets or sugarcane will be in
18 excess of the quantity needed to enable the area to meet its
19 quota and provide a normal carryover inventory, he shall
20 establish proportionate shares for farms in such areas as
21 provided in this subsection, except that the determinations
22 by the Secretary of proportionate shares for farms in Hawaii
23 and the Virgin Islands in effect on January 1, 1965, shall
24 continue in effect until amended or superseded. In deter-

1 mining the proportionate shares with respect to a farm, the
 2 Secretary may take into consideration the past production
 3 on the farm of sugarbeets and sugarcane marketed (or pro-
 4 cessed) for the extraction of sugar or liquid sugar (within
 5 proportionate shares when in effect) and the ability to pro-
 6 duce such sugarbeets and sugarcane."

7 ~~(2)~~ The first sentence of paragraph ~~(3)~~ of subsection
 8 ~~(b)~~ is amended to read as follows:

9 "~~(3)~~ In order to make available acreage for growth and
 10 expansion of the beet sugar industry, the Secretary in addi-
 11 tion to protecting the interest of new and small producers by
 12 regulations generally similar to those theretofore promulgated
 13 by him pursuant to this Act, shall reserve each year from
 14 1962 through 1966, inclusive, from the national sugarbeet
 15 acreage requirement established by him, the acreage required
 16 to yield sixty-five thousand short tons, raw value, of sugar."

17 ~~(3)~~ Paragraph ~~(3)~~ of subsection ~~(b)~~ is amended by
 18 inserting "~~(A)~~" after the figure ~~(3)~~ and by adding at
 19 the end of paragraph ~~(3)~~ the following subparagraph ~~(B)~~:

20 "~~(B)~~ In order to make available acreage for the growth
 21 and expansion of the mainland cane industry by a new
 22 sugarcane processing facility, the Secretary is authorized to
 23 reserve each crop year for three consecutive crop years an
 24 amount of acreage estimated to yield twenty-five thousand
 25 short tons of sugar, raw value, from the acreage which would

1 be allocated to sugarcane producers in the mainland cane
2 sugar area for each of three consecutive crop years beginning
3 not earlier than the year immediately following the first cal-
4 endar year after 1965 for which the Secretary's determination
5 of requirements of consumers pursuant to section 201 exceeds
6 ten million four hundred thousand short tons, raw value: *Pro-*
7 *vided*, That the quantity allocated to the mainland cane
8 sugar area for such calendar year pursuant to section 202
9 ~~(a)-(2)-(A)~~ is not less than twenty-five thousand short tons
10 of sugar, raw value. The acreage so reserved for each of
11 the three consecutive crop years shall be distributed for each
12 such crop year on a fair and reasonable basis, when it can
13 be utilized, to farms, without regard to any other acreage
14 allocation for establishing farm proportionate shares deter-
15 mined by him, on the condition that the sugar cane produced
16 on such farms shall be delivered for each of such three con-
17 secutive crop years to the new processing facility in the
18 locality to which reserve acreage is committed as hereafter
19 provided. The Secretary shall commit the reserve acreage
20 estimated by him to yield twenty-five thousand short tons
21 of sugar, raw value, for each of the three consecutive crop
22 years to the locality determined by him to receive the
23 reserve, and such commitment of reserve shall be irrevocable
24 upon issuance of the determination of such commitment

1 by publication in the Federal Register; except that if the
2 Secretary finds in any case that construction of the sugar-
3 cane processing facility has not proceeded in substantial
4 accordance with the representations made to him as a
5 basis for his determination of commitment of the reserve
6 acreage, he shall revoke such determination in accordance
7 with and upon publication in the Federal Register of such
8 findings. In any State in the continental United States
9 where there was no mill for commercially processing sugar-
10 cane into sugar in 1965, commitment of reserve acreage
11 shall be made to the locality where sugarcane will be
12 delivered from farms for the commercial recovery of sugar
13 by a sugarcane processing facility or mill which begins
14 operation for the first time. In determining commitment
15 of the reserve acreage and if proposals are made to con-
16 struct sugarcane processing facilities in two or more localities
17 where sugarcane production is scheduled to commence in
18 the same year or succeeding years, the Secretary shall base
19 his determination and selection upon the firmness of capital
20 commitment, suitability for growing sugarcane, the lack of
21 proximity of other mills, need for a cash crop or a replace-
22 ment crop, and accessibility to sugar markets, and the rela-
23 tive qualifications of localities under such criteria. The com-
24 mitment of reserve acreage shall be determined by the
25 Secretary after investigation, the publication of notice and

1 such informal public hearings, if any, as the Secretary deems
2 appropriate under the prevailing circumstances.”

3 ~~(4)~~ Paragraph ~~(5)~~ of subsection ~~(b)~~ is amended by
4 striking the words “In determining farm proportionate
5 shares” and inserting in lieu thereof the words “Whether
6 farm proportionate shares are or are not determined”.

7 ~~(5)~~ Subsection ~~(b)~~ is amended by adding new para-
8 graphs ~~(8)~~ and ~~(9)~~ as follows:

9 “~~(8)~~ In order to protect the sugarbeet production his-
10 tory for farm operators ~~(or farms)~~ who in any crop year,
11 because of a crop-rotation program or for reasons beyond
12 their control, are unable to utilize all or a portion of the
13 farm proportionate share acreage established pursuant to
14 this section, the Secretary may reserve for a period of not
15 more than three crop years the production history for any
16 such farm operators ~~(or farms)~~ to the extent of the farm
17 proportionate share acreage released. The proportionate
18 share acreage so released may be reallocated to other farm
19 operators ~~(or farms)~~, but no production history shall accrue
20 to such other farm operators ~~(or farms)~~ by virtue of such
21 reallocation of the proportionate share acreage so released.

22 “~~(9)~~ The Secretary is authorized to reserve from the
23 national sugarbeet acreage requirements for the 1966, 1967,
24 and 1968 crops of sugarbeets a total acreage estimated to

1 yield not more than twenty-five thousand short tons, raw
2 value, for each such crop to provide any nonaffiliated single
3 plant processor of sugarbeets with an estimated quantity of
4 sugar for marketing of not to exceed twenty-five thousand
5 short tons of sugar, raw value. The Secretary is also author-
6 ized to reserve from the acreage which would otherwise be
7 allocated to sugarcane producers in the mainland cane sugar
8 area for the 1965 and 1966 crops of sugarcane a total acre-
9 age estimated to yield not more than twenty-five thousand
10 short tons of sugar, raw value, for each such crop to relieve
11 hardship on the part of producers who planted sugarcane
12 for the first time for harvest in the crop years 1964 and
13 1965 and in allocating such acreage the Secretary shall
14 give consideration to the amount by which the acreage of
15 sugarcane in 1965 exceeds the proportionate share for the
16 1965 crop: with first consideration in allocating such acre-
17 age to farms on which the 1965 crop proportionate share
18 has been overplanted by more than 200 per centum in an
19 amount sufficient to bring the proportionate shares of such
20 farms up to the acreage growing: *Provided*, That acreage
21 allocated hereunder for the 1965 crop shall be in addition
22 to the total acreage heretofore allocated in such area for the
23 1965 crop. The Secretary shall allocate the acreage pro-
24 vided for in this paragraph to farms on such basis as he

1 determines necessary to accomplish the purposes for which
2 such acreages are provided under this paragraph."

3 SEC. 11. ~~(1)~~ Subsection ~~(b)~~ of section 402 of such
4 Act is amended by adding the following sentence thereto:
5 "The Secretary is authorized to use the services, facilities,
6 and authorities of Commodity Credit Corporation for the
7 purpose of making disbursements to persons eligible to re-
8 ceive payments under title III of this Act: *Provided*, That
9 no such disbursements shall be made by Commodity Credit
10 Corporation unless it has received funds to cover the amounts
11 thereof from appropriations available for the purpose of
12 carrying out such program."

13 ~~(2)~~ Subsection ~~(a)~~ of section 408 of such Act is
14 amended by adding the following at the end thereof:
15 "During any period that the operation of the provisions
16 of title II is so suspended by the President, the Secretary
17 shall estimate for each year the amount of sugar needed to
18 meet requirements of consumers in the United States and
19 the amount the quota for each country would be if cal-
20 culated on the basis as provided in section 202 of this Act.
21 Notice of such estimate and quota calculation shall be pub-
22 lished in the Federal Register. If any country fails to im-
23 port into the continental United States within the quota
24 year, an amount of sugar equal to the amount the quota

1 would be as calculated for such country by the Secretary
 2 for such year; the quota established for such country in
 3 subsequent years under the provisions of title II shall be
 4 reduced as provided in section 202(d)(4) of this Act:
 5 *Provided*, That quotas for subsequent years shall not be
 6 reduced when quotas are suspended under this subsection
 7 and reestablished in the same calendar year.”

8 ~~(3)~~ Subsection ~~(b)~~ of section 408 of such Act is
 9 amended by striking out the last sentence thereof and sub-
 10 stituting in lieu thereof the following: “Any quantity so
 11 suspended shall be allocated in the same manner as deficits
 12 are allocated under the provisions of section 204 of this
 13 Act.”

14 ~~(4)~~ Subsection ~~(c)~~ of section 408 of such Act is
 15 amended to read as follows:

16 “(c) In any case in which a nation or a political sub-
 17 division thereof has hereafter ~~(1)~~ nationalized, expropriated,
 18 or otherwise seized the ownership or control of the property
 19 or business enterprise owned or controlled by United States
 20 citizens or any corporation, partnership or association not
 21 less than 50 per centum beneficially owned by United States
 22 citizens or ~~(2)~~ imposed upon or enforced against such prop-
 23 erty or business enterprise so owned or controlled, dis-
 24 criminatory taxes or other exactions, or restrictive mainte-
 25 nance or operational conditions not imposed or enforced

1 with respect to the property or business enterprise of a like
2 nature owned or operated by its own nationals or the nationals
3 of any government other than the Government of the United
4 States or ~~(3)~~ imposed upon or enforced against such prop-
5 erty or business enterprise so owned or controlled; discrimina-
6 tory taxes or other exactions; or restrictive maintenance or
7 operational conditions; or has taken other actions; which have
8 the effect of nationalizing; expropriating or otherwise seizing
9 ownership or control of such property or business enterprise
10 or ~~(4)~~ violated the provisions of any bilateral or multi-
11 lateral international agreement to which the United States
12 is a party; designed to protect such property or business en-
13 terprise so owned or controlled; and has failed within six
14 months following the taking of action in any of the above
15 categories to take appropriate and adequate steps to remedy
16 such situation and to discharge its obligations under inter-
17 national law toward such citizen or entity; including the
18 prompt payment to the owner or owners of such property or
19 business enterprise so nationalized; expropriated or other-
20 wise seized or to provide relief from such taxes; exactions;
21 conditions or breaches of such international agreements; as
22 the case may be; or to arrange, with the agreement of the
23 parties concerned; for submitting the question in dispute
24 to arbitration or conciliation in accordance with procedures

1 under which final and binding decision or settlement will be
 2 reached and full payment or arrangements with the owners
 3 for such payment made within twelve months following
 4 such submission, the President shall suspend any quota, pro-
 5 ration of quota, or authorization to import sugar under this
 6 Act of such nation until he is satisfied that appropriate steps
 7 are being taken. Any quantity so suspended shall be allo-
 8 cated in the same manner as deficits are allocated under sec-
 9 tion 204 of this Act."

10 ~~(5)~~ Section 412 of such Act (relating to termination of
 11 the powers of the Secretary under the Act) is amended by
 12 striking out "1966" in each place it appears therein and
 13 inserting in lieu thereof "1971".

14 ~~SEC. 12.~~ Section 4501(b) (relating to termination of
 15 taxes on sugar) of the Internal Revenue Code of 1954 is
 16 amended by striking out "1967" in each place it appears
 17 therein and inserting in lieu thereof "1972".

18 ~~SEC. 13.~~ Except as hereinafter provided, the provisions
 19 of this Act shall become effective January 1, 1965. The
 20 amendments made by section 4 of this Act shall become
 21 effective January 1, 1966.

22 *That this Act may be cited as the "Sugar Act Amendments*
 23 *of 1965".*

24 *SEC. 2. Section 201 of the Sugar Act of 1948, as*
 25 *amended, is amended (1) by striking out of the first sen-*
 26 *tence the words "month of December in" and substituting*

1 the words "last three months of"; and (2) by striking out
 2 of the second sentence "October 31" and substituting "Sep-
 3 tember 30".

4 SEC. 3. Section 202 of the Sugar Act of 1948, as
 5 amended, is amended as follows:

6 (1) Paragraphs (1) and (2)(A) of subsection (a)
 7 are amended to read as follows:

8 "(a)(1) For domestic sugar-producing areas, by appor-
 9 tioning among such areas six million three hundred and
 10 ninety thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar.....	2,025,000
Mainland cane sugar.....	1,400,000
Hawaii.....	1,110,000
Puerto Rico.....	1,140,000
Virgin Islands.....	15,000
Total.....	6,390,000

11 "(2)(A) To or from the above total of six million
 12 three hundred and ninety thousand short tons, raw value,
 13 there shall be added or deducted, as the case may be, an
 14 amount equal to 65 per centum of the amount by which the
 15 Secretary's determination of requirements of consumers in
 16 the continental United States pursuant to section 201 for
 17 the calendar year exceeds ten million four hundred thou-
 18 sand short tons, raw value, or is less than nine million seven
 19 hundred thousand short tons, raw value. Such amount shall
 20 be apportioned between the domestic beet sugar area and

1 *the mainland cane sugar area on the basis of the quotas for*
2 *such areas established under paragraph (1) of this subsec-*
3 *tion and the amounts so apportioned shall be added to, or*
4 *deducted from the quotas for such areas."*

5 (2) *Subsection (b) is amended to read as follows:*

6 " (b) *For the Republic of the Philippines, in the amount*
7 *of one million and fifty thousand short tons, raw value, plus*
8 *10.86 per centum of the amount, not exceeding seven hun-*
9 *dred thousand short tons, raw value, by which the Secre-*
10 *tary's determination of requirements of consumers in the*
11 *continental United States pursuant to section 201 for the*
12 *calendar year exceed nine million seven hundred thousand*
13 *short tons, raw value."*

14 (3) *Subsection (c) is amended to read as follows:*

15 " (c) (1) *For foreign countries other than the Republic*
16 *of the Philippines, an amount of sugar, raw value, equal*
17 *to the amount determined pursuant to section 201 less the*
18 *sum of the quotas established pursuant to subsection (a)*
19 *and (b) of this section.*

20 " (2) *For the calendar year 1965, for individual foreign*
21 *countries other than the Republic of the Philippines, by pro-*
22 *rating the amount of sugar determined under paragraph (1)*
23 *of this subsection among foreign countries on the basis of the*
24 *quotas established in sugar regulation 811, as amended,*
25 *issued February 15, 1965 (30 F.R. 2206).*

1 “(3) For calendar years 1966 and 1967, for individual
 2 foreign countries other than the Republic of the Philippines,
 3 by prorating the amount of sugar determined under para-
 4 graph (1) of this subsection among foreign countries on the
 5 following basis:

6 “(A) For the following countries in the Western
 7 Hemisphere—

Country	Per centum
<i>Cuba</i> _____	57.77
<i>Dominican Republic</i> _____	7.90
<i>Mexico</i> _____	7.29
<i>Peru</i> _____	5.08
<i>Brazil</i> _____	5.08
<i>British West Indies</i> _____	2.28
<i>Argentina</i> _____	1.19
<i>Ecuador</i> _____	.93
<i>Nicaragua</i> _____	.76
<i>Guatemala</i> _____	.66
<i>Costa Rica</i> _____	.65
<i>Colombia</i> _____	.52
<i>Haiti</i> _____	.35
<i>El Salvador</i> _____	.32
<i>Panama</i> _____	.27
<i>British Honduras</i> _____	.08
<i>Venezuela</i> _____	.05

8 “(B) For the following countries—

Country	Per centum
<i>Australia</i> _____	3.03
<i>China, Republic of</i> _____	1.26
<i>South Africa</i> _____	1.24
<i>India</i> _____	1.21
<i>French West Indies</i> _____	.80
<i>Fiji Islands</i> _____	.66
<i>Mauritius</i> _____	.28
<i>Southern Rhodesia</i> _____	.12
<i>Swaziland</i> _____	.12
<i>Ireland</i> _____	.04
<i>Belgium</i> _____	.03
<i>Turkey</i> _____	.03

1 *Provided, That in no event shall the quotas established*
 2 *under this subsection for Australia, South Africa, the*
 3 *French West Indies, and Belgium exceed the following:*

<i>Country</i>	<i>Short tons, raw value</i>
<i>Australia</i> -----	<i>68,478, plus .73 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.</i>
<i>South Africa</i> -----	<i>28,024, plus .30 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.</i>
<i>French West Indies</i> -----	<i>18,080.</i>
<i>Belgium</i> -----	<i>678."</i>

4 *(4) Subsections (d), (e), and (f) are hereby amended*
 5 *to read as follows:*

6 *"(d) Notwithstanding any other provision of this Act—*
 7 *"(1)(A) During the current period of suspension of*
 8 *diplomatic relations between the United States and Cuba,*
 9 *the quota provided for such country under subsection (c)*
 10 *shall be withheld and a quantity of sugar equal to such*
 11 *quota shall be prorated to other foreign countries named*
 12 *in paragraph (2) of subsection (c) on the basis of the*
 13 *percentages stated therein: Provided, That in no event*

shall the quota established under this subsection for
 Australia, South Africa, the French West Indies, and
 Belgium exceed the following:

<i>Country</i>	<i>Short tons, raw value</i>
<i>Australia</i> -----	93,674, plus 1.00 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
<i>South Africa</i> -----	38,560, plus .41 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
<i>French West Indies</i> -----	24,890, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
<i>Belgium</i> -----	927, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

“(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2)(A) of this subsection, would be

1 *contrary to the national interest of the United States,*
2 *such quota or part thereof shall be withheld or sus-*
3 *pended, and such importation shall not be permitted.*
4 *A quantity of sugar equal to the amount of any quota*
5 *so withheld or suspended shall be prorated to the other*
6 *countries listed in subsection (c)(3)(A) on the basis*
7 *of the quotas then in effect for such countries.*

8 *“(C) The quantities of sugar prorated pursuant to*
9 *the foregoing provisions of this subsection shall be desig-*
10 *nated as temporary quotas and the term ‘quota’ as*
11 *defined in this Act shall include a temporary quota*
12 *established under this subsection.*

13 *“(2)(A) Whenever the Secretary finds that it is*
14 *not practicable to obtain the quantity of sugar needed*
15 *from foreign countries to meet any increase during the*
16 *year in the requirements of consumers under section 201*
17 *by apportionment to countries pursuant to subsections*
18 *(b) and (c) and the foregoing provisions of this sub-*
19 *section, such quantity of sugar may be imported on a*
20 *first-come, first-served basis from any foreign country,*
21 *except that no sugar shall be authorized for importation*
22 *from Cuba until the United States resumes diplomatic*
23 *relations with that country and no sugar shall be author-*
24 *ized for importation hereunder from any foreign country*
25 *with respect to which a finding by the President is in*

1 effect under subsection (d)(1)(B): Provided, That
2 such finding shall not be made in the first nine months
3 of the year unless the Secretary also finds that limited
4 sugar supplies and increases in prices have created or
5 may create an emergency situation significantly inter-
6 fering with the orderly movement of foreign raw sugar
7 to the United States. In the event that the requirements
8 of consumers under section 201 are thereafter reduced
9 in the same calendar year, an amount not exceeding
10 such increase in requirements shall be deducted pro rata
11 from the quotas established pursuant to subsection (c)
12 and this subsection.

13 “(B) Sugar imported under the authority of this
14 paragraph (2) shall be raw sugar, except that if the
15 Secretary determines that the total quantity is not rea-
16 sonably available as raw sugar, he may authorize the
17 importation for direct consumption of so much of such
18 quantity as he determines may be required to meet the
19 requirements of consumers in the United States.

20 “(3) No quota shall be established for any country
21 other than Ireland for any year following a period
22 of twenty-four months, ending June 30 prior to the es-
23 tablishment of quotas for such year, in which its aggre-
24 gate imports of sugar equaled or exceeded its aggregate

1 *exports of sugar from such country to countries other*
2 *than the United States.*

3 “(4) *Whenever in any calendar year any foreign*
4 *country fails, subject to such reasonable tolerance as the*
5 *Secretary may determine, to fill the quota as established*
6 *for it pursuant to this Act, the quota for such country*
7 *for subsequent calendar years shall be reduced by the*
8 *smaller of (i) the amount by which such country failed*
9 *to fill such quota or (ii) the amount by which its ex-*
10 *ports of sugar to the United States in the year such*
11 *quota was not filled was less than 115 per centum of*
12 *such quota for the preceding calendar year: Provided,*
13 *That (i) no such reduction shall be made if the country*
14 *has notified the Secretary before August 1 of such year*
15 *(or, with respect to events occurring thereafter, as soon*
16 *as practicable after such event), of the likelihood of*
17 *such failure and the Secretary finds that such failure*
18 *was due to crop disaster or other force majeure, unless*
19 *such country exported sugar in such year to a country*
20 *other than the United States, in which case the reduc-*
21 *tion in quota for the subsequent years shall be limited*
22 *to the amount of such exports, as determined by the*
23 *Secretary, and (ii) in no event shall the quota for the*
24 *Republic of the Philippines be reduced to an amount less*

1 *than nine hundred and eighty thousand short tons, raw*
2 *value, of sugar.*

3 “(5) *Any reduction in a quota because of the re-*
4 *quirements of paragraphs (3) and (4) of this sub-*
5 *section shall be prorated to other foreign countries in*
6 *the same manner as deficits are prorated under section*
7 *204 of this Act. For purposes of determining unfilled*
8 *portions of quotas, entries of sugar from a foreign coun-*
9 *try shall be prorated between the temporary quota estab-*
10 *lished pursuant to paragraph (1) of this subsection and*
11 *the quota established pursuant to subsection (c).*

12 “(6) *If any foreign country fails to give assurance*
13 *to the Secretary, on or before December 31, 1965, that*
14 *such country will fill the quota as established for it under*
15 *subsections (c)(3) and (d)(1) of this section for years*
16 *after 1965, the quota for such country for such years*
17 *shall be reduced to the amount which the country gives*
18 *assurance that it will fill for such years. The portion*
19 *of the quota for such country for which such assurance*
20 *is not given shall be withdrawn for such years and a*
21 *quantity of sugar equal to such portion shall be pro-*
22 *rated to other foreign countries in the same manner as*
23 *deficits are prorated under section 204 of this Act.*
24 *For purposes of applying paragraph (4) of this sub-*

1 *section, any reduction in the quota of a foreign country*
2 *under this paragraph shall be disregarded.*

3 *“(e) Whenever the President finds that it is no longer*
4 *contrary to the national interest of the United States to*
5 *reestablish a quota or part thereof withheld or suspended*
6 *under subsection (d)(1) of this section, and, in the case of*
7 *Cuba, diplomatic relations have been resumed by the United*
8 *States, such quota shall be restored in the manner the Presi-*
9 *dent finds appropriate: Provided, That the entire amount*
10 *of such quota shall be restored for the third full calendar*
11 *year following such finding by the President. The tem-*
12 *porary quotas established pursuant to subsection (d)(1)*
13 *shall, notwithstanding any other provision of this section,*
14 *be reduced pro rata to the extent necessary to restore the*
15 *quota in accordance with the provisions of this subsection.*

16 *“(f) Whenever any quota is required to be reduced*
17 *pursuant to subsection (e) or because of a reduction in*
18 *the requirements of consumers under section 201 of this*
19 *Act, and the amount of sugar imported from any country*
20 *or marketed from any area at the time of such reduction*
21 *exceeds the reduced quota, the amount of such excess shall,*
22 *notwithstanding any other provision of this section, be de-*
23 *ducted from the quota established for such country or*
24 *domestic area for the next succeeding calendar year.*

25 *“(g) The Secretary is authorized to limit, through the*

1 use of limitations applied on a quarterly basis only, the im-
2 portation of sugar within the quota for any foreign country
3 during the first and second quarters of any calendar year
4 whenever he determines that such limitation is necessary to
5 achieve the objectives of the Act: Provided, That this sub-
6 section shall not operate to reduce the quantity of sugar per-
7 mitted to be imported for any calendar year from any coun-
8 try below its quota, including deficits allocated to it, for that
9 year.

10 “(h) The quota established for any foreign country
11 and the quantity authorized to be imported from any country
12 under subsection (d)(2) of this section may be filed only
13 with sugar produced from sugarbeets or sugarcane grown
14 in such country.”

15 SEC. 4. Section 204 of the Sugar Act of 1948, as
16 amended, is amended to read as follows:

17 “SEC. 204. (a) The Secretary shall from time to time
18 determine whether, in view of the current inventories of
19 sugar, the estimated production from the acreage of sugar-
20 cane or sugarbeets planted, the normal marketings within a
21 calendar year of new-crop sugar, and other pertinent factors,
22 any area or country will be unable to market the quota for
23 such area or country. If the Secretary determines that any
24 domestic area or foreign country will be unable to market
25 the quota for such area or country, he shall revise the quota

1 for the Republic of the Philippines by allocating to it an
2 amount of sugar equal to 47.22 per centum of the deficit,
3 and shall allocate an amount of sugar equal to the remainder
4 of the deficit to the countries listed in section 202(c)(3)
5 (A) on the basis of the quotas then in effect for such coun-
6 tries: Provided, That if any quota is restored to Cuba, the
7 maximum per centum of 47.22 of the deficit to be allocated
8 to the Republic of the Philippines shall be reduced to a per
9 centum equal to that which the Philippine quota under
10 subsection (b) of section 202 bears to the sum of such Philip-
11 pine quota and the quotas then in effect for all foreign coun-
12 tries pursuant to subsection (c) of section 202. If the Sec-
13 retary determines the Republic of the Philippines will be
14 unable to fill its share of any deficit determined under this sub-
15 section, he shall allocate such unfilled amount to the coun-
16 tries listed in section 202(c)(3)(A) on the basis of the
17 quotas then in effect for such countries. If the Secretary
18 determines that neither the Republic of the Philippines nor
19 the countries listed in section 202(c)(3)(A) can fill all of
20 any such deficit, he shall apportion such unfilled amount on
21 such basis and to such foreign countries as he determines is
22 required to fill such deficit. Any reallocation of deficits pur-
23 suant to this subsection shall be subject to the import restric-
24 tions of subsection (d)(1) of section 202. The Secretary
25 shall insofar as practicable determine and allocate deficits

1 so as to assure the availability of the sugar for importation
2 during the calendar year. In any event, any deficit, so far
3 as then known, shall be determined and allocated by August
4 1 of the calendar year. Notwithstanding the foregoing
5 provisions of this subsection, if the President determines that
6 such action would be in the national interest, any part of a
7 deficit which would otherwise be allocated to countries listed
8 in section 202(c)(3)(A) may be allocated to one or more
9 of such countries with a quota in effect on such basis as the
10 President finds appropriate.

11 “(b) The quota established for any domestic area or
12 any foreign country under section 202 shall not be reduced
13 by reason of any determination of a deficit existing in any
14 calendar year under subsection (a) of this section: Provided,
15 That the quota for any foreign country shall be reduced to
16 the extent that it has notified the Secretary that it cannot
17 fill its quota and the Secretary has found under section 202
18 (d)(4) that such failure was due to crop disaster or other
19 force majeure.”

20 SEC. 5. Section 205 of the Sugar Act of 1948, as
21 amended, is amended (1) by inserting after the third sen-
22 tence thereof the following new sentence: “The Secretary is
23 also authorized in making such allotments of a quota for
24 any calendar year to take into consideration, in lieu of or
25 in addition to the foregoing factors of processing, past mar-

1 *ketings, and ability to market, the need for establishing an*
2 *allotment which will permit such marketing of sugar as is*
3 *necessary for the reasonably efficient operation of any non-*
4 *affiliated single plant processor of sugarbeets: Provided, That*
5 *the marketing allotment of any such processor of sugarbeets*
6 *shall not be increased under this provision above an allotment*
7 *of twenty-five thousand short tons, raw value: Provided*
8 *further, That the total increases in marketing allotments made*
9 *to processors in the domestic beet sugar area pursuant to this*
10 *sentence shall be limited to twenty-five thousand short tons of*
11 *sugar, raw value, for each calendar year.”; and (2) by*
12 *adding at the end of subsection (a) the following sentence:*
13 *“If allotments are in effect at the time of a reduction in*
14 *a domestic area quota for any year, the amount marketed*
15 *by a person in excess of the amount of his allotment as*
16 *reduced in conformity with the reduction in the quota shall*
17 *not be taken into consideration in establishing an allotment*
18 *in the next succeeding year for such person, and any*
19 *allotment established for such person for the next succeeding*
20 *year shall be reduced by such excess amount.”*

21 *SEC. 6. Section 206 of the Sugar Act of 1948, as*
22 *amended, is amended to read as follows:*

23 *“SEC. 206. (a) If the Secretary determines that the*
24 *prospective importation or bringing into the continental*
25 *United States, Hawaii, or Puerto Rico of any sugar-contain-*

1 ing product or mixture will substantially interfere with the
2 attainment of the objectives of this Act, he may limit the
3 quantity of such product or mixture to be imported or
4 brought in from any country or area to a quantity which
5 he determines will not so interfere: Provided, That the
6 quantity to be imported or brought in from any country or
7 area in any calendar year shall not be reduced below the
8 average of the quantities of such product or mixture annually
9 imported or brought in during the most recent three con-
10 secutive years for which reliable data of the importation or
11 bringing in of such product or mixture are available.

12 “(b) In the event the Secretary determines that the
13 prospective importation or bringing into the continental
14 United States, Hawaii, or Puerto Rico, of any sugar-
15 containing product or mixture will substantially interfere
16 with the attainment of the objectives of this Act and there
17 are no reliable data available of such importation or bring-
18 ing in of such product or mixture for three consecutive years,
19 he may limit the quantity of such product to be imported
20 or brought in annually from any country or area to a quan-
21 tity which the Secretary determines will not substantially
22 interfere with the attainment of the objectives of the Act,
23 provided that such quantity from any one country or area
24 shall not be less than a quantity containing one hundred
25 short tons, raw value of sugar or liquid sugar.

1 “(c) In determining whether the actual or prospective
2 importation or bringing into the continental United States,
3 Hawaii, or Puerto Rico of a quantity of a sugar-containing
4 product or mixture will or will not substantially interfere
5 with the attainment of the objectives of this Act, the Secre-
6 tary shall take into consideration the total sugar content of
7 the product or mixture in relation to other ingredients or to
8 the sugar content of other products or mixtures for similar
9 use, the costs of the mixture in relation to the costs of its
10 ingredients for use in the continental United States, Hawaii,
11 or Puerto Rico, the present or prospective volume of im-
12 portations relative to past importations, the type of packag-
13 ing, whether it will be marketed to the ultimate consumer in
14 the identical form in which it is imported or the extent to
15 which it is to be further subjected to processing or mixing
16 with similar or other ingredients, and other pertinent infor-
17 mation which will assist him in making such determination.
18 In making determinations pursuant to this section, the Sec-
19 retary shall conform to the rulemaking requirements of sec-
20 tion 4 of the Administrative Procedure Act.”

21 SEC. 7. Subsections (d) and (e) of section 207 of the
22 Sugar Act of 1948, as amended, are amended as follows:

23 “(d) Not more than fifty-nine thousand nine hundred
24 and twenty short tons, raw value, of the quota for the Re-

1 public of the Philippines may be filled by direct-consumption
2 sugar.

3 “(e) None of the quota established for any foreign
4 country other than the Republic of the Philippines and none
5 of the deficit prorations and apportionments for any foreign
6 country established under or in accordance with section
7 204(a) may be filled by direct-consumption sugar: Pro-
8 vided, That the quotas for Ireland, Belgium, and Panama
9 may be filled by direct-consumption sugar to the extent of
10 two thousand three hundred and eleven short tons, raw
11 value, for Ireland; one hundred and eighty-two short tons,
12 raw value, for Belgium; and three thousand eight hundred
13 and seventeen short tons, raw value, for Panama.”

14 SEC. 8. Section 209 of the Sugar Act of 1948, as
15 amended, is amended by striking from subsection (e) thereof
16 the words “any sugar or liquid sugar” and inserting in lieu
17 thereof the following: “any sugar or liquid sugar in excess
18 of one hundred pounds in any calendar year”.

19 SEC. 9. (a) Section 212 of the Sugar Act of 1948, as
20 amended, is amended by inserting before the period at the
21 end thereof the following: “, or for the production (other than
22 by distillation) of alcohol, including all polyhydric alcohols,
23 but not including any such alcohol or resulting products for
24 human consumption”.

1 (b) Section 6418(a) of the Internal Revenue Code of
2 1954 is amended—

3 (1) by inserting “OR PRODUCTION” after “DIS-
4 TILLATION” in the heading of such section, and

5 (2) by inserting after “the distillation of alcohol,”
6 in the text of such section the following: “or for the pro-
7 duction of alcohol (other than alcohol produced for
8 human consumption),”.

9 (c) The heading of section 6511(e)(1) of the Internal
10 Revenue Code of 1954 is amended by inserting “OR PRO-
11 Duction” after “DISTILLATION”.

12 SEC. 10. Section 213 of the Sugar Act of 1948, as
13 amended, is repealed.

14 SEC. 11. Section 302 of the Sugar Act of 1948, as
15 amended, is amended as follows:

16 (1) Paragraph (1) of subsection (b) is amended to
17 read as follows:

18 “(b)(1) The Secretary shall determine for each crop
19 year whether the production of sugar from any crop of sugar-
20 beets or sugarcane will, in the absence of proportionate
21 shares, be greater than the quantity needed to enable the
22 area to meet its quota and provide a normal carryover in-
23 ventory, as estimated by the Secretary for such area for the
24 calendar year during which the larger part of the sugar
25 from such crop normally would be marketed. Such deter-

1 mination shall be made only with respect to the succeeding
2 crop year and only after due notice and opportunity for an
3 informal public hearing. If the Secretary determines that the
4 production of sugar from any crop of sugarbeets or sugar-
5 cane will be in excess of the quantity needed to enable the
6 area to meet its quota and provide a normal carryover inven-
7 tory, he shall establish proportionate shares for farms in such
8 areas as provided in this subsection, except that the deter-
9 minations by the Secretary of proportionate shares for farms
10 in Hawaii and the Virgin Islands in effect on January 1,
11 1965, shall continue in effect until amended or superseded.
12 In determining the proportionate shares with respect to a
13 farm, the Secretary may take into consideration the past pro-
14 duction on the farm of sugarbeets and sugarcane marketed
15 (or processed) for the extraction of sugar or liquid sugar
16 (within proportionate shares when in effect) and the ability
17 to produce such sugarbeets and sugarcane.”

18 (2) The first sentence of paragraph (3) of subsection
19 (b) is amended to read as follows:

20 “(3) In order to make available acreage for growth and
21 expansion of the beet sugar industry, the Secretary in addi-
22 tion to protecting the interest of new and small producers by
23 regulations generally similar to those heretofore promulgated
24 by him pursuant to this Act, shall reserve each year from
25 1962 through 1966, inclusive, from the national sugarbeet

1 *acreage requirement established by him, the acreage required*
2 *to yield sixty-five thousand short tons, raw value, of sugar."*

3 *(3) Paragraph (5) of subsection (b) is amended by*
4 *striking the words "In determining farm proportionate*
5 *shares" and inserting in lieu thereof the words "Whether*
6 *farm proportionate shares are or are not determined".*

7 *(4) Subsection (b) is amended by adding new para-*
8 *graphs (8) and (9) as follows:*

9 *"(8) In order to protect the sugarbeet production his-*
10 *tory for farm operators (or farms) who in any crop year,*
11 *because of a crop-rotation program or for reasons beyond*
12 *their control, are unable to utilize all or a portion of the*
13 *farm proportionate share acreage established pursuant to*
14 *this section, the Secretary may reserve for a period of not*
15 *more than three crop years the production history for any*
16 *such farm operators (or farms) to the extent of the farm*
17 *proportionate share acreage released. The proportionate*
18 *share acreage so released may be reallocated to other farm*
19 *operators (or farms), but no production history shall accrue*
20 *to such other farm operators (or farms) by virtue of such*
21 *reallocation of the proportionate share acreage so released.*

22 *"(9) The Secretary is authorized to reserve from the*
23 *national sugarbeet acreage requirements for the 1966, 1967,*
24 *and 1968 crops of sugarbeets a total acreage estimated to*
25 *yield not more than twenty-five thousand short tons, raw*

1 value, for each such crop to provide any nonaffiliated single
2 plant processor of sugarbeets with an estimated quantity of
3 sugar for marketing of not to exceed twenty-five thousand
4 short tons of sugar, raw value. The Secretary shall allo-
5 cate the acreage provided for in this paragraph to farms
6 on such basis as he determines necessary to accomplish the
7 purposes for which such acreages are provided under this
8 paragraph.”

9 SEC. 12. Title IV of the Sugar Act of 1948, as
10 amended, is amended as follows:

11 (1) Subsection (b) of section 402 of such Act is
12 amended by adding the following sentence thereto: “The
13 Secretary is authorized to use the services, facilities, and
14 authorities of Commodity Credit Corporation for the purpose
15 of making disbursements to persons eligible to receive pay-
16 ments under title III of this Act: Provided, That no such
17 disbursements shall be made by Commodity Credit Corpo-
18 ration unless it has received funds to cover the amounts
19 thereof from appropriations available for the purpose of
20 carrying out such program.”

21 (2) Subsection (a) of section 408 of such Act is
22 amended by adding the following at the end thereof:
23 “During any period that the operation of the provisions
24 of title II is so suspended by the President, the Secretary
25 shall estimate for each year the amount of sugar needed to

1 *meet requirements of consumers in the United States and*
2 *the amount the quota for each country would be if cal-*
3 *culated on the basis as provided in section 202 of this Act.*
4 *Notice of such estimate and quota calculation shall be pub-*
5 *lished in the Federal Register. If any country fails to im-*
6 *port into the continental United States within the quota*
7 *year, an amount of sugar equal to the amount the quota*
8 *would be as calculated for such country by the Secretary*
9 *for such year, the quota established for such country in*
10 *subsequent years under the provisions of title II shall be*
11 *reduced as provided in section 202(d)(4) of this Act:*
12 *Provided, That quotas for subsequent years shall not be*
13 *reduced when quotas are suspended under this subsection*
14 *and reimposed in the same calendar year.”*

15 (3) *Subsection (b) of section 408 of such Act is*
16 *amended by striking out the last sentence thereof and substi-*
17 *tuting in lieu thereof the following: “Any quantity so sus-*
18 *pended shall be allocated in the same manner as deficits are*
19 *allocated under the provisions of section 204 of this Act.”*

20 (4) *Subsection (c) of section 408 of such Act is*
21 *amended to read as follows:*

22 “(c) *In any case in which a nation or a political sub-*
23 *division thereof has hereafter (1) nationalized, expropriated,*
24 *or otherwise seized the ownership or control of the property*
25 *or business enterprise owned or controlled by United States*

1 citizens or any corporation, partnership, or association not
2 less than 50 per centum beneficially owned by United States
3 citizens or (2) imposed upon or enforced against such prop-
4 erty or business enterprise so owned or controlled, dis-
5 criminatory taxes or other exactions, or restrictive mainte-
6 nance or operational conditions not imposed or enforced
7 with respect to the property or business enterprise of a like
8 nature owned or operated by its own nationals or the nationals
9 of any government other than the Government of the United
10 States or (3) imposed upon or enforced against such prop-
11 erty or business enterprise so owned or controlled, discrimina-
12 tory taxes or other exactions, or restrictive maintenance or
13 operational conditions, or has taken other actions, which have
14 the effect of nationalizing, expropriating, or otherwise seizing
15 ownership or control of such property or business enterprise
16 or (4) violated the provisions of any bilateral or multi-
17 lateral international agreement to which the United States
18 is a party, designed to protect such property or business
19 enterprise so owned or controlled, and has failed within six
20 months following the taking of action in any of the above
21 categories to take appropriate and adequate steps to remedy
22 such situation and to discharge its obligations under inter-
23 national law toward such citizen or entity, including the
24 prompt payment to the owner or owners of such property or

1 business enterprise so nationalized, expropriated, or other-
2 wise seized or to provide relief from such taxes, exactions,
3 conditions, or breaches of such international agreements, as
4 the case may be, or to arrange, with the agreement of the
5 parties concerned, for submitting the question in dispute
6 to arbitration or conciliation in accordance with procedures
7 under which final and binding decision or settlement will be
8 reached and full payment or arrangements with the owners
9 for such payment made within twelve months following
10 such submission, the President shall suspend any quota, pro-
11 ration of quota, or authorization to import sugar under this
12 Act of such nation until he is satisfied that appropriate steps
13 are being taken. Any quantity so suspended shall be allo-
14 cated in the same manner as deficits are allocated under sec-
15 tion 204 of this Act.”

16 (5) Section 412 of such Act (relating to termination of
17 the powers of the Secretary under the Act) is amended by
18 striking out “1966” in each place it appears therein and
19 inserting in lieu thereof “1971”.

20 SEC. 13. Section 4501(b) (relating to termination of
21 taxes on sugar) of the Internal Revenue Code of 1954 is
22 amended by striking out “1967” in each place it appears
23 therein and inserting in lieu thereof “1972”.

1 *SEC. 14. Except as hereinafter provided, the provisions*
2 *of this Act shall become effective January 1, 1965. The*
3 *amendments made by section 4 of this Act shall become*
4 *effective January 1, 1966.*

Passed the House of Representatives October 13, 1965.

Attest:

RALPH R. ROBERTS,

Clerk.

[Report No. 909]

AN ACT

To amend and extend the provisions of the
Sugar Act of 1948, as amended.

OCTOBER 15, 1965

Read twice and referred to the Committee on Finance

OCTOBER 18, 1965

Reported with an amendment

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
(NOT TO BE QUOTED OR CITED)

Issued Oct. 20, 1965
For actions of Oct. 19, 1965
89th-1st; No. 195

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HIGHLIGHTS: Senate debated sugar bill. Senate committee reported supplemental appropriation bill and pay bill. Rep. Smith, Iowa, introduced and discussed meat inspection bill. House committee reported bill to increase flood water detention capacity.

SENATE

1. SUGAR. Began debate on H. R. 11135, the sugar bill, which had been reported with amendment during adjournment on Oct. 18 (S. Rept. 909). pp. ~~26315~~, 26393-419, 26427-39
2. SUPPLEMENTAL APPROPRIATION BILL. The Appropriations Committee reported with amendments this bill, H. R. 11588 (S. Rept. 912). p. 26325
It was agreed that this bill will be considered next after the sugar bill (p. 26440). Attached to this Digest is a table showing the actions of the Senate Committee.
3. FEDERAL PAY BILL. The Post Office and Civil Service Committee reported with amendments this bill, H. R. 10281, on Oct. 18 during adjournment (S. Rept. 910). p. 26315

4. EXPENDITURES; PERSONNEL; STOCKPILING. Received a report from the Byrd Joint Committee on Nonessential Federal Expenditures regarding these subjects. pp. 26326-38
5. FARM PROGRAM. Sen. Curtis spoke in favor of adequate farm prices, criticized the present program, and defended his record. pp. 26355-7
6. WORLD FOOD SHORTAGE. Sen. McGovern inserted and commended a speech by Rep. Stalbaum favoring farm production to alleviate the world food shortage. pp. 26361-3
7. ELECTRIFICATION. Sen. Hartke inserted an address by REA Administrator Clapp before the NRECA regional meetings, reviewing progress in rural electrification and outlining future financial requirements. pp. 26371-3
8. RIVERS-HARBORS AND FLOOD-CONTROL BILL. Agreed to the conference report on this bill, S. 2300. pp. 26380-93
9. DISASTER RELIEF. Sen. Long, La., described changes made by the Senate committee in H. R. 7502, the disaster-relief bill, including a provision to permit deduction of certain assessments by soil and water conservation districts, for income-tax purposes. pp. 26439-40

HOUSE

10. FLOOD CONTROL. The Agriculture Committee reported without amendment H.R. 9149, to amend the Watershed Protection and Flood Prevention Act, as amended, so as to increase the maximum flood-water detention capacity from 5,000 acre-feet to 12,500 acre-feet (H. Rept. 1177). p. 26537
11. EDUCATION. Received the conference report on H.R. 9567, the proposed Higher Education Act of 1965 (H. Rept. 1178). pp. 26447-70
12. TRANSPORTATION. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) S. 1098, to amend the Interstate Commerce Act to insure the adequacy of the national railroad freight car supply. p. D1039
13. WHEAT. Rep. Albert emphasized that deferment of action on the International Wheat Agreement Act extension "should not be interpreted as indicating that the House is opposed to the agreement negotiated by our representatives and ratified by the Senate early this year." p. 26441
14. FOOD COMMISSION. Rep. Langen expressed approval of legislation to create a U.S. World Food Commission "to plan the future U.S. role in the approaching world food crisis." p. 26516
15. MONETARY FUND. Received from Treasury a report on the activities of the National Advisory Council on International Monetary and Financial Problems of the Bretton Woods Agreements Act. p. 26537
16. COMMODITY EXCHANGES. Received from this Department a proposed bill to amend the Commodity Exchange Act, as amended; to Agriculture Committee. p. 26537
17. LEGISLATIVE PROGRAM. Rep. Albert announced that tomorrow (Oct. 20) the House will call up the conference reports on the higher education bill and the omnibus rivers and harbors and flood control bill. pp. 26441-42

at John Martin Reservoir. I have read with interest your comments on this problem and its possible solution.

I was happy to learn that you were in favor of a permanent pool if it can be obtained without injury to existing property rights of irrigators in the Arkansas Valley. It has been my observation that the irrigators also favor a permanent pool if it can be shown in operating principals that their existing property rights will not be injured with the establishment of the pool.

It appears as though the recreational interests desire for a permanent pool has clouded any sense of obligation concerning other's existing property rights. They cry long and loud that the pool will not harm the irrigators but will make no effort to formulate the necessary rules to insure that harm will not be done to their fellow citizens.

I admire you for your continued resistance to rough-shod tactics which attempt to ignore or evade the laws which established freedom for all in our country.

Sincerely,

WAYNE W. WHITTAKER.

COLORADO SPRINGS, COLO.,

August 9, 1965.

Hon. GORDON ALLOTT,
Senate Office Building,
Washington, D.C.

DEAR GORDON: Thank you for your letter of July 29 together with a copy of your letter to Mr. Felix L. Sparks, director of the Colorado Water Commission Board. I agree with the contents of your letter and think it is excellent.

Warm personal regards.

Sincerely,

RUSSELL T. TUTT.

LAMAR, COLO.,

August 10, 1965.

Senator GORDON ALLOTT,
Senate Building,
Washington, D.C.

DEAR GORDON: My apologies for not having replied any sooner but I was out of town and did not return until just a couple of days ago.

In reference to your letter concerning the permanent pool at John Martin, I sincerely believe after talking to farmers during the past few weeks both before and after the June floods that the water rights which the farmers are now receiving full benefits from should remain the same. The farmers as a whole feel that they will not receive full benefits from the dam if a permanent pool is put into effect and furthermore it would be a detriment to them.

However, most farmers on the ditches are willing and would like the opportunity to express their views and possibly work out a solution whereby a permanent pool could be retained. At this time a great many of the farmers have become very unhappy with the statements of FRANK EVANS and are unwilling to cooperate so long as they receive no recognition. The feelings as I wrote you several weeks ago is that the game and fish department, FRANK EVANS and Felix L. Sparks are no longer concerned with the farmers problems, or the potential loss to them.

At the same time the businessman, the rancher, and the laborer and those who do not depend on the ditches believe that they are entitled to the permanent pool and they are being cheated not only of their recreation but of potential tourist trade which might exist once a permanent pool was established.

My personal belief is that the problem can be solved and both segments of the community can be satisfied if the problems are openly expressed and resolved.

Very truly yours,

CHARLES E. BRADBURN.

Mr. ALLOTT. Mr. President, I yield the floor.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

PROPOSED SUGAR ACT AMENDMENTS OF 1965

Mr. McNAMARA. Mr. President, I have reluctantly come to the conclusion that I cannot support H.R. 11135, the proposed Sugar Act Amendments of 1965.

There is no question that this bill is a great improvement over the version approved earlier by the other body. Credit for this goes to the Senate Committee on Finance, which has removed several of the most outrageous and obnoxious features of the House-approved bill, especially with respect to the assignment of foreign sugar quotas.

But even so, too many basic inequities remain in the bill for me to support it. For several years, I have been uneasy about our basic policy in sugar, that has made it the most tightly controlled and heavily subsidized commodity in the country.

H.R. 11135 would continue this unhappy situation for an additional 2 to 5 years.

My fundamental objection to this legislation—and the program it perpetuates—is that it is horribly unfair to the American consumer. The American housewife is forced to pay twice under this program.

First. Her own tax dollars are being used to pay a huge subsidy to foreign producers of sugar—a subsidy of more than \$70 a ton.

Second. These subsidies that she is forced to pay, act to drive up the price she must pay for sugar at the grocery store.

As of yesterday, October 18, the price of sugar was 15.5 cents a pound in the local chain stores and 18.5 cents a pound in the independent stores.

This does not make sense to me.

Under this legislation, the American taxpayers will be paying out more than \$280 million a year in sugar subsidies to foreign producers.

It seems to me that it would make a great deal more sense if we were to cut back the subsidy and use at least part of this huge amount to develop an adequate sugar substitute that eventually would make us independent of the world sugar market.

At the very least, we could expend our domestic production to lessen our present dependence on foreign sugar producers which now supply about 40 percent of our total consumption.

A second basic objection to this bill is that there is no need for us to act at this time—in haste and without careful consideration.

Mr. MOSS. Mr. President, I firmly favor approval of H.R. 11135, the Sugar Act Amendments of 1965.

Although there are some features of this bill on which I have reservations, I

believe the quota provisions to be generally fair to both domestic and foreign producers.

Further, as a Senator from a major sugar-producing State, I consider it essential that the Congress enact Sugar Act extensions this year.

Because I believe this to be necessary, I introduced on August 18, a bill, S. 2430, which contained provisions similar to those in the legislation now before us.

Last year, the domestic sugar-producing and refining industry was divided on the question of what amendments to the Sugar Act should be passed. In contrast, there is now complete unanimity of opinion in the domestic sugar industry in support of this bill. Uniting the industry was a difficult assignment. The interests of various segments of the industry diverge on many points. There is intense competition between them. It was only after weeks of conferences that the legislative recommendations were hammered out which are represented in this bill.

Upon introducing S. 2430, I placed in the CONGRESSIONAL RECORD a list of organizations representing the U.S. sugar-beet industry, the mainland sugar cane industry, the Hawaiian sugar cane industry, the Puerto Rican sugar cane industry, and the U.S. cane sugar refining industry. That list contains 70 names of companies and associations.

Over the years, the objectives of the U.S. sugar program have been achieved. These objectives include: the production in the United States of a substantial portion of the requirements of our market; and the assurance of a reliable supply of the balance of those requirements from the production of friendly foreign nations. This program has given us an adequate supply of sugar and stability of price.

The rise of Castro, however, disrupted U.S. relations with the nation from which we had obtained some half of our imports of sugar. The international sugar market was thrown into a state of near chaos.

With a shortage looming, American growers were encouraged to produce all the sugarbeets they could plant. This effort produced such volume that a surplus resulted. Further, the United States entered the world market to seek some 15 percent of our requirements.

Our buying in the world sugar market was accompanied by a rapid rise in prices. American consumers were forced to pay prices for sugar which had not been in effect since the 1920's.

We wound ourselves in the midst of the only really unstable sugar market to which we have been subjected since the sugar program was initiated.

This bill returns to the principle of assigning the entire quantity to be imported—including the withheld Cuban quota—to specific foreign countries. The bill will allow the rapid liquidation of any remaining surpluses of beet and mainland cane sugar; it will make unnecessary excessive acreage cutbacks in sugar producing areas; and it will allow refiners to adjust gradually to import volume.

Best of all, it will guard the stability of the U.S. sugar market, and the U.S. sugar industry, for a period of 5 years.

There are two questions which have had the spotlight of publicity played on them during consideration of this legislation. Both are discussed in the report of the House Committee on Agriculture on H.R. 11135, and the minority views attached thereto.

The first of these is the so-called import tax which it is said the administration was prepared to propose. The purpose of such a tax is to recapture some of the profit which foreign sugar producers enjoy by selling at the U.S. market price rather than at the world market price.

The question of a world market price is, of course, a complex one. Most sugar is produced for consumption in the country of origin or for export to known customers. Only a minor portion of world production is sold on what could be called a world market. The United States could never depend on any present world market to obtain all of the sugar we need, in addition to that produced domestically.

This year, the import tax has been rejected, principally on the theory that it is our policy to assist other Nations, especially those friendly to us in this hemisphere, through trade as well as aid.

The second question concerns lobbyists. It has been charged that excessive fees are being paid to some who are able to obtain unreasonably large sugar quotas for favored nations. It is also charged that lobbying tends to bring into production too many foreign sources.

As I have already said, the quotas in this bill appear to me to be generally fair.

But we should not forget that our objectives are to provide stability in the sugar market and prices that are reasonable for American consumers. If the prices that we are paying for foreign sugar are too far above the prices foreign producers may obtain elsewhere, it may well be that we are encouraging excess foreign production and a proliferation of foreign-producing nations at the same time that we are overcharging American consumers and taxpayers.

I believe both of these questions—sugar lobbying and the so-called import tax—should be given further consideration in the near future by Congress and by the House Committee on Agriculture and the Senate Committee on Finance. But these matters should not delay passage of this bill at this late stage of our deliberations. The bill is needed now, to forestall rapid price fluctuations and assure stability to the industry.

Almost 40,000 domestic farms grow sugarcane or sugarbeets. Some 235,000 farmworkers—mostly on a seasonal basis—are required to cultivate and harvest these sugar crops.

The farm investment in sugar crops in all domestic areas was estimated in 1959 to be \$750 million. It has increased considerably since then.

In 1964, 63 beet sugar factories, 110 cane sugar mills, and 28 refineries were in operation in our domestic areas. The housewife, the commercial sugar user, the domestic sugar grower, and the for-

eign nations friendly to us who are favored with quotas, will benefit by enactment of this legislation this year.

Mr. ELLENDER. Mr. President, I am very pleased that the Senate Finance Committee has been successful in coming to an agreement on the difficult, complex, and controversial legislation governing our domestic sugar production and supply. I support the amendments approved by the Finance Committee, for I find this legislation to be far superior to that which earlier passed the House of Representatives. I express every hope that the provisions of the Senate version will prevail.

I express the further hope that the Senate-House conference can be quickly convened and that the differences between the Senate and House versions can be resolved expeditiously. I represent in part the State which produces the most cane sugar in the continental United States. The Sugar Act Amendments of 1965 are sorely needed to protect not only our growers and processors but also our household consumers, our industrial users, our refiners, and many other groups. No one knows better than I that the sugar marketing quota increases provided in both the House and Senate versions of the bill are greatly needed and long overdue for both our mainland cane and beet sugar areas. There is no longer any contention over this. The increases for our domestic producers were proposed by the executive branch and agreed to by the House of Representatives, and all segments of our domestic industry support them.

The section of the pending measure now before us dealing with quota increases and approved by our Finance Committee and the House of Representatives is very commendable. But the Finance Committee's action in disapproving other provisions in the House-passed bill is also very commendable. I refer specifically to those provisions in the House bill which have to do with congressional distribution of the cane sugar quota and acreage among both processors and farmers. I do not believe the inclusion of these provisions by the House represents either wise or desirable legislation and I would like to take a few minutes here to outline my opposition to these sections of the House bill and my reasons therefor.

The House bill would amend the Sugar Act to authorize the establishment of a 25,000-ton marketing allotment reserve and a complementary acreage reserve for the mainland cane area, purportedly to take care of hardships and inequities. Such reserves are not needed and are not desirable.

The Sugar Act now provides for legitimate hardship cases and requires the Secretary of Agriculture, after public hearings at which all pertinent facts may be presented, to make a fair, efficient, and equitable distribution of the mainland cane area's quota among the processors of the area and the area's acreage among the growers. The language in the House bill pertaining to the reserves singles out certain corporations for preferred treatment and would ac-

tually prevent the Secretary from attaining fairness, efficiency, and equity in the distribution of the area's quota and acreage.

It would be a mistake for Congress to adopt the practice of legislating sugar marketing allotments and acreages to individuals. The determination of individual allotments and acreages should be the result of careful and adequate investigation and public hearings. The Sugar Act now assigns that responsibility to the Secretary of Agriculture. This has proven to be wise.

The House bill would further amend the Sugar Act to provide that the first 25,000-ton increase above the 1,100,000-ton mainland cane area quota shall be assigned to a new cane-processing facility. This is unfair in view of the fact that the 1,100,000-ton quota will not allow established cane processors to market as much sugar as they produced in 1963 or 1964 or their estimated production for 1965. Any small increase which may accrue to the 1,100,000-ton mainland cane area quota during the period of the proposed extension of the act should go to established processors. The size of the quota proposed for the mainland cane area is not large enough to create a need for new processing facilities.

In closing, let me say as I have said many times before, the sugar program is one of our most successful farm programs. Many groups benefit from this program. They include the domestic producers and processors of sugarcane and sugarbeets, the cane sugar refiners in the continental United States, the housewives, and the industrial sugar users.

The sugar program is financed by a tax on sugar, and tax collections since 1938 have exceeded expenditures by more than \$500 million. I wish we could make such a statement about all farm programs.

ORDER OF BUSINESS

Mr. McNAMARA. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. I believe the leadership wishes to go back into executive session to consider the nomination of Mr. Bress, Mr. President.

The PRESIDING OFFICER. Does the Senator so move?

Mr. WILLIAMS of Delaware. I so move.

Is that agreeable to the Senator from Montana?

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. It has been so ordered.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. Does that mean that the Senate is not going back into executive session. Has that been dropped?

Mr. MANSFIELD. That has been dropped for the nonce.

Mr. WILLIAMS of Delaware. I understood we were going to discuss the nomination of Mr. Bress.

Mr. MANSFIELD. The Senator is correct.

Mr. WILLIAMS of Delaware. Are we going to do that?

Mr. MANSFIELD. Yes, but it will be delayed somewhat, if the Senator does not mind.

Mr. WILLIAMS of Delaware. But I have already canceled a couple of meetings that I was supposed to attend today. What has developed in the last half hour to necessitate postponing the matter? Is it postponed until later today, or until tomorrow, or when? I intended to suggest the advisability of the nomination going back to the committee. What is the procedure? I thought we were to discuss the Bress nomination today.

Mr. MANSFIELD. We were. The majority leader had it laid before the Senate. It was then laid aside temporarily for the purpose of taking up a conference report, which I understand has been agreed to.

Mr. WILLIAMS of Delaware. It was my understanding that the Senate would then return to the Bress nomination.

Mr. MANSFIELD. The Senator is correct; but if the Senator will indulge me, I should like to take up the sugar bill for the time being. I am not in a position as yet to make a definite statement on the floor of the Senate about the Bress nomination, except that it is anticipated that it will be taken up later.

Mr. WILLIAMS of Delaware. Is it anticipated that it will be brought up later today?

Mr. MANSFIELD. I doubt it, today. Once we get on sugar, I think we will have to stay with it. But it may well follow the sugar legislation; either that or the Morrissey nomination.

Mr. WILLIAMS of Delaware. May the Senator's statement be interpreted as an indication that the administration has finally agreed with me that this nomination should not be brought before the Senate for confirmation?

Mr. MANSFIELD. No; I would not go that far.

Mr. WILLIAMS of Delaware. The Senator would go part of the way, is that correct?

Mr. MANSFIELD. The Senator's interpretation of affairs is better than mine, in many instances. Not in this one, however.

The PRESIDING OFFICER. The bill (H.R. 11135) will be stated by title for the information of the Senate.

Mr. MANSFIELD. No, Mr. President, I—does the Senator object?

Mr. WILLIAMS of Delaware. No. I shall not object, if the leadership wishes to lay aside the nomination and take up the sugar bill. I do think, in all fairness

it should be made clear that the leadership and the administration are asking for this postponement.

Mr. MANSFIELD. It is the majority leader only.

Mr. WILLIAMS of Delaware. I thank the Senator.

SUGAR ACT AMENDMENTS OF 1965

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 895, H.R. 11135.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Finance with an amendment to strike out all after the enacting clause and insert:

That this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"Area	Short tons raw value
Domestic beet sugar	3,025,000
Mainland cane sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000

Total 6,390,000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the

calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsection (a) and (b) of this section.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For calendar years 1966 and 1967, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For the following countries in the Western Hemisphere—

Country	Per centum
Cuba	57.77
Dominican Republic	7.90
Mexico	7.29
Peru	5.08
Brazil	5.08
British West Indies	2.28
Argentina	1.19
Ecuador	.93
Nicaragua	.76
Guatemala	.66
Costa Rica	.65
Colombia	.52
Haiti	.35
El Salvador	.32
Panama	.27
British Honduras	.08
Venezuela	.05

"(B) For the following countries—

Country	Per centum
Australia	3.03
China, Republic of	1.26
South Africa	1.24
India	1.21
French West Indies	.80
Fiji Islands	.66
Mauritius	.28
Southern Rhodesia	.12
Swaziland	.12
Ireland	.04
Belgium	.03
Turkey	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, the French West Indies, and Belgium exceed the following:

Country	Short tons, raw value
Australia	68,478, plus 0.73 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa	28,024, plus 0.30 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
French West Indies	18,080.
Belgium	678."

(4) Subsections (d), (e), and (f) are hereby amended to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: *Provided*, That in no event shall the quota established under this subsection for Australia, South Africa, the French West Indies, and Belgium exceed the following:

Country	Short tons, raw value
Australia....	93,674, plus 1.00 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa.	38,560, plus 0.41 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
French West Indies.	24,890, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium....	927, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2) (A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (3) (A) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity

of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B): *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country other than Ireland for any year following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such event), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(6) If any foreign country fails to give assurance to the Secretary, on or before December 31, 1965, that such country will fill the quota as established for it under subsections (c) (3) and (d) (1) of this section for years after 1965, the quota for such country for such years shall be reduced to the amount which the country gives assur-

ance that it will fill for such years. The portion of the quota for such country for which such assurance is not given shall be withdrawn for such years and a quantity of sugar equal to such portion shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of applying paragraph (4) of this subsection, any reduction in the quota of a foreign country under this paragraph shall be disregarded.

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate; *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filed only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the

Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d)(1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c)(3)(A) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202 (d)(4) that such failure was due to crop disaster or other force majeure."

Sec. 5. Section 205 of the Sugar Act of 1948, as amended, is amended (1) by inserting after the third sentence thereof the following new sentence: "The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any non-affiliated single plant processor of sugarbeets: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value: *Provided further*, That the total increases in marketing allotments made to processors in the domestic beet sugar area pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each calendar year."; and (2) by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

Sec. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"Sec. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*,

That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

Sec. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, Belgium, and Panama may be filled by direct-consumption sugar to the extent of two thousand three hundred and eleven short tons, raw value, for Ireland; one hundred and eighty-two short tons, raw value, for Belgium; and three thousand eight hundred and seventeen short tons, raw value, for Panama."

Sec. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar" and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

Sec. 9. (a) Section 212 of the Sugar Act of 1948, as amended, is amended by inserting before the period at the end thereof the following: ", or for the production (other than by distillation) of alcohol, including all polyhydric alcohols, but not including any

such alcohol or resulting products for human consumption".

(b) Section 6418(a) of the Internal Revenue Code of 1954 is amended—

(1) by inserting "OR PRODUCTION" after "DISTILLATION" in the heading of such section, and

(2) by inserting after "the distillation of alcohol," in the text of such section the following: "or for the production of alcohol (other than alcohol produced for human consumption);".

(c) The heading of section 6511(e)(1) of the Internal Revenue Code of 1954 is amended by inserting "OR PRODUCTION" after "DISTILLATION".

Sec. 10. Section 213 of the Sugar Act of 1948, as amended, is repealed.

Sec. 11. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(4) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm propor-

tionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph."

SEC. 12. Title IV of the Sugar Act of 1948, as amended, is amended as follows:

(1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is amended to read as follows:

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporations, partnership, or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced

against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated, or otherwise seized or to provide relief from such taxes, exactions, conditions, or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decisions or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act."

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 13. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 14. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966.

ORDER FOR ADJOURNMENT UNTIL 9 O'CLOCK TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business this afternoon, it stand in adjournment until 9 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and it is so ordered.

ORDER FOR SENATOR RIBICOFF TO ADDRESS SENATE TOMORROW AT 9 A.M.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that in the period between 9 o'clock and 10 o'clock tomorrow morning, not to exceed 10 o'clock, the distinguished Senator from Connecticut [Mr. RIBICOFF] may have the floor for a speech he wishes to deliver.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. For the information of the Senate, I anticipate that the

real business of the Senate will begin at approximately 10 o'clock tomorrow morning.

Mr. President, I suggest the absence of quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

NATIONAL PARKINSON WEEK

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the chair lay before the Senate House Joint Resolution 571.

The PRESIDING OFFICER laid before the Senate House Joint Resolution 571 to authorize the President to proclaim the week beginning October 25, 1965 as National Parkinson Week, which was read twice by its title.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the joint resolution.

Mr. DIRKSEN. Mr. President, there was an identic Senate bill, but there is no objection to the substitution of this one. It merely declares that the last week of October shall be National Parkinson Week.

The PRESIDING OFFICER. The question is on the third reading and passage of the joint resolution.

The joint resolution (H.J. Res. 571) was ordered to a third reading, was read the third time, and passed.

SUGAR ACT AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. LONG of Louisiana. Mr. President, this bill extends the Sugar Act of 1948 through December 31, 1971. It fixes quotas for domestic areas and the Philippines during this period, but establishes foreign quotas only for 1966 and 1967.

The domestic quotas under the bill as amended by the committee are identical to the quotas approved by the House. The Philippine quota also is identical. The foreign country quotas under the committee bill differ substantially from those in the House version, both as to quantity and duration.

Before describing the details of the committee bill, I shall outline briefly the circumstances leading up to the pending bill and the considerations which justify its prompt passage by Congress.

For many, many years the United States relied almost solely on Cuba for its sugar import needs. Until the Communist takeover in Cuba in 1959 and 1960, that country was our principal supplier, furnishing more than one-third of our total consumption. Cuba received a premium for sugar she sold us which

enabled her to survive many economic crises. When it became clear that Cuba was to have an anti-American government Congress empowered the President to terminate sugar imports from that country. Since the middle of 1960 we have not relied on Cuba for any of our sugar.

In 1962, when Congress last amended the Sugar Act, we departed from complete reliance on specified countries for our sugar and embarked upon a new program under which a part of our sugar would be acquired from any nation willing to sell it to us. This "global" quota was a new concept, which we felt was essential to assure adequate sugar supplies at reasonable prices.

Unfortunately, about this same time much of the Cuban sugar crop was destroyed in a Communist effort to diversify the island's economy. A drought seriously cut back European sugar production for 2 successive years. These factors combined to set off a sugar crisis. World sugar prices soared. In February 1963, they went above U.S. prices and stayed there for 16 months. U.S. prices began to rise in anticipation of a serious worldwide sugar shortage. The Secretary of Agriculture appealed to free countries all over the world to export sugar to us. Many countries, which before 1962 had never supplied the United States with sugar, came to our assistance and committed themselves to sell sugar to us for less than they could have received had they sold it for the so-called world market price. In the light of the tremendous quantities committed to us, U.S. sugar prices remained far below the world price and then began to decline. This reflected the confidence of our consumers that the Sugar Act was able to do its job under the most trying circumstances in its long existence.

While it is true that many foreign countries did aid us when we needed it, I would be remiss if I did not applaud the tremendous response of the mainland cane and beet sugar producers during the crisis. In response to urgings by the administration, and partly as a result of federally financed loans, domestic sugar production zoomed. This further buoyed confidence of sugar consumers and brought prices back within reason. But there was one barrier to their efforts—the law would not permit the increased quantities of domestically produced sugar to be marketed. The extra sugar could not be taken out of the processors' warehouses.

Three times the President recommended amendments to permit this sugar to be marketed. First in December 1963 and again in January 1964. Although the Senate approved legislation in September of last year, the House would not act on the Senate amendment.

Today we are responding to the President's third request. H.R. 11135 carries out the promise to our sugar producers and processors that the extra sugar produced in our time of need can be sold.

Mr. President, here is what the bill reported by the Committee on Finance would do: It would extend the Sugar Act through December 31, 1971. It would provide an immediate increase in new

marketing allowances for the domestic beet and the mainland cane areas totaling 580,000 tons. These domestic quotas and the quota for the Republic of the Philippines would be in effect through 1971. The bill would provide new rules for allocating other foreign quotas through 1967 among supplying countries primarily on the basis of their performance in sending us sugar in our time of greatest crisis.

So far as the domestic features of the bill are concerned, we are in agreement with the House version. But we disagree with the House on the distribution of foreign quotas—other than the quota for the Republic of the Philippines. We could find no discernible criteria in the House bill which would apply to all the producing nations. We feel that such a criteria is important. We feel that the criteria represented in the committee bill, and also stoutly supported by the administration, is such a criteria. It is based generally on the performance of foreign countries in our period of shortage.

The House of Representatives took the position in its version of the sugar bill that the old global quota system under the 1962 act was responsible for the crisis of 1963 and 1964. There are some who disagree with the House. They look on the global quota more as a salvation.

Had it not been for our ability to go into the world market and buy sugar from countries that had never furnished it to us before, and to get extra amounts from our old suppliers, we might not have been able to get through the period of shortage as well as we did. In those 2 years—1963 and 1964—any friendly nation on earth which wanted to sell us sugar had the right to do so. They were told—and this was something of a commitment at the time—that if they did furnish us sugar when we needed it, they would be remembered when it came time for the administration to recommend amendments and extension of the Sugar Act. In effect, under the committee bill, the countries of the world generally have fixed their own sugar quotas by their own performance during that period of shortage.

The House bill ignores performance and fixes quotas on no uniform basis. It brought in new countries that had never sold us sugar. The House distribution of foreign quotas has been criticized not only on Capitol Hill but also very vehemently in the national press. The Committee on Finance concluded the House distribution of foreign quotas would be difficult to defend and that a more objective formula was essential.

What better way to fix an objective criteria could be found than to base it on experience in our most critical time of need? If we want to be certain of a source of supply for sugar in a critical period, then we should generally look to how countries performed in a critical period. That is exactly what the Finance Committee bill does.

The Finance Committee bill also changes the method of distributing deficits from that approved by the House. Deficits are to be divided between the

Philippines and the rest of the world. The Philippines are to get 47.22 percent of any deficit and the remainder would be distributed among the countries of the Western Hemisphere. The House bill distributed non-Western Hemisphere deficits outside the Western Hemisphere.

This change, together with the few modifications made by the committee in the foreign country quotas urged by the administration, reflects the view of the committee that while performance is to be our chief guideline, we also have a strong interest in furthering the economies of Western Hemisphere countries.

The committee bill, like the House bill, allocates all the growth in sugar consumption between 9.7 million and 19.4 million tons to foreign countries. The Philippines get 10.86 percent of this growth and the rest is shared by our foreign suppliers, other than the French West Indies and Belgium. The committee bill does place special limits on the share of growth going to South Africa and Australia so that a greater share can go to developing countries.

One innovation approved by the committee as an amendment to the Sugar Act requires foreign countries to commit themselves in advance that they will fill their quotas for the period specified in the bill. Thus, if before January 1, 1966, the Secretary of Agriculture has not received assurance that 1966 and 1967 quotas will be filled, the quotas for the countries involved will be reduced to the amounts the countries assure us they can supply.

Taken together with the provisions for reducing a country's future quota for failure to fill its current quota, this new feature will give us better control over our supplies of foreign sugar.

We have included in the committee bill two important provisions of the House bill. One of these creates a special 25,000-ton reserve for the beet sugar area to aid in solving certain problems of small, nonaffiliated single plant processors of sugarbeets and farmers supplying them. The other continues and extends the authority of the President to suspend quotas of any country which expropriates property of U.S. citizens or discriminates against them.

In addition to this specific authority, both the committee bill and the House bill empower the President to withhold the quota of any country if he feels it is necessary to protect the national interest. He may also allocate the Western Hemisphere share of a deficit differently than the bill provides if he finds it to be in the national interest.

Mr. President, these are the important features of the sugar bill approved by the Committee on Finance.

Before concluding my remarks, I should like to speak briefly about the matter of import fees. Attempts were made to attach a fee rider to the bill before it passed the House. These attempts failed. Similar attempts were made in the Committee on Finance. These also failed.

The stated objective of a "fee" amendment is to "recapture" the so-called U.S. price premium, and prevent it from going to foreign suppliers. The premium

is described as the difference between the U.S. price and the lower world price. Proponents of a fee generally ignore the fact that the world price for sugar is not rational. Sugar sold on the world market is fugitive sugar—sugar that has no home—sugar that often is dumped by Communist countries in their efforts to get foreign exchange.

Ninety-five percent of sugar is sold in the production market, or at a loss for protection of the domestic sugar industry of the Soviet Union, or it is sold under arrangements such as the U.S. Sugar Act, the British Commonwealth system, the French system with its former colonies, or the Russian arrangement with Cuba, all of which guarantees a price far above the so-called dump price, or distress price, or fugitive price, which formula is referred to as the "world market," of which only 3 million tons, or less than 5 percent, move on the world market.

The world price for sugar often fails to cover the cost of its production in the country of origin. At present, the world price for sugar is only about 2 cents per pound, while the costs of production in most countries is more than 4 cents; in some cases it is more than 5 cents.

No one can make his plans to produce sugar for the so-called dump world price, or the fugitive price. Half the world price of sugar is sugar produced in Communist countries which can be sold by Cuba to Russia at a price perhaps 3 times as high as the so-called world market price, although it is sold at a loss. This sugar is sold in the free world to obtain dollars, in many instances, to be used to buy items which this country does not wish sold to Communist countries.

For example, when Castro confiscated American investments in Cuba, he found it difficult to obtain spare parts for the machinery involved because it would be expensive for the Communist bloc countries to produce parts to fit machinery manufactured in the United States. We have made efforts to keep down that kind of support, to make it difficult for a country confiscating American property to benefit.

If we impose a fee under these circumstances on our friends in Latin America, Africa, Asia, Australia, the Fiji Islands, and India, to sell sugar to us below their cost of production, we put ourselves somewhat in the picture or the cartoon in some parts of the world that depicts Uncle Sam as a fat, bloated person, in a high hat, with a big diamond stickpin in his tie, seeking to squeeze the lifeblood out of the peons in various parts of the world. The price the British pay is somewhat on a par with the price we pay. The French pay an even higher price to their former colonies and those associated with France in world affairs. The Russians pay an even higher price to Cuba, and in some respects they pay for it through a barter arrangement with that country.

So it does not behoove this country, which is one of the great trading countries of the world, to force people to sell sugar to us below the cost of production. In the long run, if we sought to do it in an effort to protect the American consumer, for example, if we tried to tell

people around the world that we would buy sugar from them at a price that was below their cost of production, any businessman in his right mind, knowing that that was our position, would know that he could not produce sugar at a profit.

Sugar must be planted a year in advance. In Louisiana, it is done on a 3-year basis. The stalks are harvested for 3 years before new cane is planted. In some areas it is done on a 5-year basis.

So people need between a year and 5 years' notice in advance as to what the price will be. When people stop planting their sugar and a smaller amount of sugar is sold at the so-called world market price, or the dump price, that price is below the cost of production. People will cease planting sugarcane. When that happens, sugar will become in short supply. That is what happened when sugar was in short supply not too long ago, and we were under the so-called global quota system. I do not think there was enough opportunity to see whether that system would work. Poor weather conditions were encountered, and there were poor results in sugar production under Castro. Those two factors played a major part. Those were the main factors, but I am informed that other people cut down sugar production because they did not have any assurance that would, ahead of time, justify their making a profit.

In this connection, I remember talking with one producer in Louisiana who showed me a field which had been planted to sugarcane. Most of the workers had been let go, and he told the remainder to plow the stalks. He said, "I never want to see another cane again."

So when enough people are taken out of the supply of sugar, there will be another experience such as we had under the global quota system when sugar was in short supply.

If people cannot depend on their customers to give them a decent price, there is no reason to feel that they should have a loyalty for them. They have a right to expect to sell it to that same individual, under a commitment that the sugar will be bought, under which we tell them that if they sell us their sugar at that time they can rely on our buying it later. So they proceed to rely on this arrangement and on commitments that we will pay a better price for that sugar than the so-called world market price or dump price. This would enable the American housewife to obtain sugar at a lesser price than other people around the world were able to buy sugar for.

The bill delivers a commitment and an expectation that they will be able to deliver sugar to us. In addition, the arrangement is on the basis that our friends in Latin America, for example, can be assured of a price so that they will not have to reduce their standard of living or perhaps go out of business.

We want a bill that will be a good deal for both our country and the suppliers of sugar to us.

I shall provide for the RECORD a compilation to show that most of the developed countries of the world pay a

higher price for sugar than does the United States, even though they do not feel the same burden or responsibility to help less fortunate nations and less developed nations that we do.

I hope this bill will be looked upon as a part of an arrangement that is good for the producers and good for the consumers.

It was said, even though it is not on the record, by Mr. Mann, who represents this Government in dealing with our Latin American friends, that for every dollar which would be saved by compelling these people who sell us sugar to sell it at a lower price, it would be better to cut the Alliance for Progress by \$2. The reason is that so much damage would be done by lowering the price of the sugar, with respect to people who are among our best friends, that our image around the world would be greatly damaged. It would be better to reduce the amount paid under the Alliance for Progress by twice as much as would be saved by the lower price of sugar, than by paying a price for sugar that the people cannot produce it for. In the long run, I do not think we would really save money for our consumers or other individuals.

So I urge the Senate to adopt a forward-looking policy, which will be beneficial to both the producer and the consumer, which will do justice to the Alliance for Progress as well as other operations that we have with friendly nations around the world.

I hope the Senate will swiftly approve the bill, in order that it may be taken to conference.

Mr. President, I ask unanimous consent that the committee amendment be agreed to en bloc and that the bill as thus amended be considered as original text for the purpose of further amendment.

THE PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The committee amendment in the nature of a substitute was agreed to.

MR. BENNETT. Mr. President, my colleague the Senator from Louisiana, who had the responsibility of handling the sugar bill in the Finance Committee, has given us a clear picture of the complexity of the problems the committee faced, and particularly with respect to the allocation of foreign quotas.

The sugar bill allocates 65 percent of the needs of our country to the domestic producers. I believe the RECORD would not be complete without a review of the solution of the problems involved in that allocation. Fortunately this solution was reached without any particular difficulty and with great unanimity.

The Senate provisions relating to the domestic quotas are essentially the same as the provisions in the House bill. So we should have no conference problem on the domestic sugar quotas.

The Senator from Louisiana [Mr. Long] has pointed out that many of the problems involved in our distribution to our foreign friends have grown out of the fact that in 1963 and 1964 the world market for sugar arose above the domestic market and we had problems and diffi-

culty in persuading some of our friends to supply us with the sugar we expected them to supply.

At the same time, the Department of Agriculture appealed to domestic producers to step up their production so that the volume of sugar needed by the American people would not be short and force our domestic prices up into the range of world prices.

As a result the marketing quota was taken off domestic producers and acreage allotments were taken off and everybody on the mainland who was in a position to produce sugar was encouraged to do so.

SUGAR INVENTORIES

This has created a situation with which we were faced in both the House and the Senate. There is an excess of sugar inventory in the warehouses of domestic producers, which under the marketing allotment they were not permitted to sell. This had to be handled and cleared away.

The bill increased the domestic share to 65 percent. Specifically, it increased the domestic beet sugar allotment from 2,650,000 to 3,025,000 tons; and mainland cane sugar from 895,000 to 1,100,000 tons.

The allotments for Hawaii, Puerto Rico, and the Virgin Islands were not changed because those sugar producers have not been able during the last few years to exceed their allotments.

The result of this is that after a good deal of negotiation between the various domestic producers involved and the Department of Agriculture, we have been able to work out a program with which no country is completely satisfied—of course, no one ever is—but which would enable us not only to take care of the overproduction that the Department of Agriculture pleaded for in 1963 and 1964, but, to a certain limited extent, we were able to give some relief to those who came into sugar production without a previous history—at the request of and sometimes at the encouragement of the Department of Agriculture—and who now find themselves with no history.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. BENNETT. I am happy to yield.

Mr. LONG of Louisiana. At the time when we had a shortage of sugar and realized that we needed to be in a better condition to protect the American consumer, the Department of Agriculture and other agencies of the executive branch urged that American concerns go into business.

Mr. BENNETT. The Senator is correct.

Mr. LONG of Louisiana. For example, in my State I helped to obtain an area redevelopment loan to help a concern to go into business to produce more sugar. Then, when we helped them to go into business with Government money, everyone assumed there would be no problem. Many of the people had to resort to bankruptcy because they had sugar and could not sell it.

Mr. BENNETT. This problem had to be solved. I know that there are people in the mainland cane areas who found themselves in that situation. This problem had to be solved by negotiations

outside of the actual legislation itself, so that those who had allotments would be willing to share some of their privilege with those who needed it. This has been done.

Domestic producers will be given an increase this year of 580,000 tons, but they will not share in any further increases from the growth of market until the total consumption has exceeded 10,400,000 tons.

In other words, they have been helped over the hurdle, but they are going to be paid for it by freezing present levels until the total demand reaches the point where the present level would be 65 percent of 10,400,000 tons.

Mr. FONG. Mr. President, will the Senator yield?

Mr. BENNETT. I yield.

Mr. FONG. Does that mean that this is substantially the same as the House measure?

Mr. BENNETT. The domestic portion of the bill is substantially the same as the House bill.

Mr. FONG. Except for the 25,000 tons kept in reserve, this is the same as the House bill?

Mr. BENNETT. We have an amendment retaining reservations. I was about to refer to that next.

Mr. FONG. That is the only difference from the House bill?

Mr. LONG of Louisiana. We are omitting a provision that had to do with the 25,000 ton cane sugar in the House bill. That would be in the conference between the House and the Senate. We put in our amendment involving the beet sugar problem.

Mr. FONG. I thank the Senator.

Mr. BENNETT. The Senator referred to the other amendment. I wish to refer briefly to page 33 of the Senate report. I ask unanimous consent that paragraphs 8 and 9 of section 302, as found at page 33, may be printed in the body of the Record at this point.

There being no objection, the excerpts were ordered to be printed in the Record, as follows:

(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar raw value. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which

such acreages are provided under this paragraph.

Mr. BENNETT. This amendment was put into the bill to solve the problems of some farmers who, for instance, found themselves with a farm in two States. They had an allotment in one State, but their allotment was cut back in the other State. Certain farmers found themselves unable to utilize their allotment and wanted to be in a position to pick it up later, if they were able to use it.

BEET SUGAR RESERVE

The effect of this amendment is to permit the Secretary—not require him, but permit him—to put the allotment of such farmers in a reserve for not more than 3 years, after which it must return to the producer from whom it was taken; and that from this reserve there would be an allowance of not more than 25,000 short tons which could be available to the Secretary to distribute in areas where he thinks it might be needed.

The domestic portion of the bill is extended for 6 years. The foreign portion was extended only 2 years, on the theory that we would like to have an opportunity to take a look at this complex foreign problem again within that time. But by extending the domestic portion 6 years we assume we have taken care of it until consumption begins to approach 10,400,000 tons, at which point the domestic share of the total sugar consumption might again be increased.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. BENNETT. I am happy to yield.

Mr. DOMINICK. It seems to me that the Finance Committee has done quite a job on this bill. The net effect, as I understand it, is to make it possible for the domestic industry at least to salve some of their wounds which were created by the administration urging them to overplant at a time when world price was so high. Is that approximately accurate?

Mr. BENNETT. Yes. I believe that that is the effect of the domestic portion of the bill both in the Senate and in the House, and fortunately this feature of the bill will not be in conference.

Mr. DOMINICK. The domestic portion will not be in conference. It will be mostly the foreign portion of the bill.

Mr. BENNETT. The language affecting domestic quotas is almost the same in both versions of the bill.

Mr. DOMINICK. I am happy to hear the Senator report that. I have been concerned with the Senate getting a bill in the past few weeks and being urged to pass it without adequate consideration.

I believe the Finance Committee and the distinguished Senator from Utah have done a magnificent job on it.

Mr. BENNETT. The Senator from Louisiana [Mr. Long] was the chairman of those meetings. I was happy to support him in our program on which we had worked.

In conference, there will be some problems concerning the foreign section of the bill; but fortunately, we who represent States which produce sugar need have no fear about the effect of the con-

ference upsetting the domestic program that the bill contains.

Mr. DOMINICK. I thank the Senator from Utah.

Mr. BENNETT. Mr. President, I would like to continue with the prepared text of my speech.

DOMESTIC QUOTAS

With our intense interest in the controversial sections of this bill—that is to say, the provisions concerning foreign quotas—we have not given the attention we should to the great contribution made by the domestic sugar-producing industry toward meeting and alleviating the sugar shortage of 2 years ago. We should remember that the domestic producers' response to the Government's pleas for increased domestic production during that emergency has made necessary the temporary increases in the beet and mainland cane quotas—over which there is no controversy—provided in this bill.

We have heard and read some references to "surpluses" of sugar in the domestic beet and mainland cane sugar industries, and we should remember that the production of those "surpluses"—the extra sugar now on hand, that cannot be marketed under the present law—was induced and encouraged by the Government. The Wall Street Journal made reference to this on Monday of this week.

Unless some bill is enacted—

The Journal said—

domestic growers won't be able to market surpluses generated by Government-encouraged production to overcome sugar shortages in 1963 and 1964.

Mr. President, for the RECORD I should like to document some of the actions the Government took, and some of the announcements it made, in order to encourage greater beet sugar production and enlargement of the production capacity of the beet sugar industry.

For example, on March 14, 1963, the Government announced that there would be no restrictions on sugarbeet planting in 1964, and the announcement contained the following specific urging for greater beet sugar production:

It is assumed that the industry will attempt in 1963 to produce at the maximum capacity of its plants. Today's action is expected to encourage plant expansion. First, it should encourage existing plants to modernize and expand their facilities since they can now be assured of at least 2 years of unrestricted operations. Second, new plants under construction for operation in 1963 and 1964 could be expanded immediately to their ultimate capacity so as to take advantage of this opportunity for full production and the building of production and marketing history in excess of the tonnage provided from the national acreage reserve.

USDA suggests that when acreage restrictions are reimposed, major consideration should be given to production history in the period immediately preceding the resumption of controls. That should provide fair treatment for those who increase production sufficiently to meet prospective marketing quotas and stock requirements.

On May 6 of that same year the Government announced there would be no restrictions on sugarbeet planting in 1965, as another inducement to increasing beet sugar production and production capacity. There is no doubt that

was the intent of these acreage announcements. The then Under Secretary of Agriculture, Charles Murphy, emphasized this in testimony before the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, on June 5, 1963. Mr. Murphy said:

One of the major objectives of the Department in announcing that restrictions would not be imposed on sugarbeet production in 1964 and 1965 was to encourage the modernization and expansion of existing factories and the enlargement of factories now under construction.

That afternoon, in a continuation of the same hearing, Lawrence Myers, who then was director of the Department of Agriculture's sugar policy staff, reemphasized Under Secretary Murphy's statement in these words, in response to a question:

And it was for exactly that reason, as the Secretary pointed out in his testimony this morning, that the industry is assured that acreage restrictions would not be applied in either 1964 or 1965, to encourage this modernization and expansion immediately, so that they would get on this higher basis of production.

These statements were further verification of what Under Secretary Murphy had told the Senate Finance Committee a few days earlier, on May 29, 1963. In response to a question from a member of the committee, the Under Secretary said:

If I may respond to that, Senator, we have already taken restrictions off production of beets for this year, 1964, and 1965, and cane for this year and 1964. Certainly, we would hope that production will increase as a result of this action.

Mr. President, I believe that is sufficient documentation to show why production was increased by the domestic beet sugar industry. It was increased in direct response to Government urging and inducements. I think the RECORD should clearly show this.

The temporarily increased marketing rights provided in this bill for the domestic beet sugar industry—and the mainland cane industry—are necessary because, except during 1963, the domestic producers have not been permitted to market any of the additional sugar they produced at the request of the Government.

Mr. President, I do not wish to open old wounds. I recognize that the domestic quota provisions in this bill are the result of compromises, and that they have the support of all segments of the domestic sugar producing and refining industries as well as the support of the administration. They also have my support, although I wish the domestic quotas were larger and were on a permanent rather than temporary basis. I have personally been disappointed that some of the foreign sugar interests who, after prodding by our Government, shipped us sugar when we needed it, have been rewarded by the administration with enlarged basic quotas—while domestic producers are receiving only temporarily increased marketing rights. Nevertheless, I do vigorously support the domestic quotas—and this bill, as the Finance Committee reported it.

WORLD MARKER AND DOMESTIC SUGAR PRICES

Mr. President, whenever the Sugar Act comes up for discussion by the Senate, the old bugaboo of so-called world versus domestic sugar prices is raised, and an attempt is made to draw odious comparisons between the price paid by domestic cane refiners for raw sugar, as quoted in New York or New Orleans, and the price for raw sugar on the so-called world market. It is implied that the world market provides some kind of worldwide price standard, and that any price higher than the world price is too high. It is also implied that everybody else in the world pays only the so-called world market price—and that only the United States pays more. The impression is left that American consumers pay more for sugar than anybody else in the world.

Such statements and implications are erroneous and unfair. They simply are not true. Persons who make them are either first, ignorant of the true facts about sugar markets; or, second, deliberately trying to deceive the Congress and the American public.

Let us examine the facts, let us explore the truth—first, about the so-called world market:

Sugar is one of the most regulated commodities in the world, everywhere in the world. Producing countries all have some kind of internal arrangements concerning production and marketing—ranging from special taxes, production subsidies, and the like, to export subsidies and Government trading corporations. Importing countries, most of them, have some kind of special arrangements with exporters to assure supplies. All these national systems affect price.

For example, there is the British Commonwealth system, under which a price is negotiated annually with producers in the Commonwealth countries for specified quantities of sugar sold in the United Kingdom. And there is the French system, with special price and quota arrangements between Metropolitan France and the nations of the French community. The Portuguese have still another system. The nations of the Communist bloc have special arrangements, some on a barter basis, for the movement of sugar among the nations of the bloc.

In addition, there are many special bilateral arrangements and deals between importers and exporters.

As a result of all these special systems and special arrangements, only a very small part of total world sugar consumption moves in international trade without restrictions of some kind. Usually only 10 to 15 percent of all the world's sugar is traded on the so-called world market. This is sugar that is homeless, that is not covered by any of the special arrangements. It is sugar that is seeking a market. Since it is a small and thin market it is extremely sensitive to changes in the world supply and demand situation. Usually there is more sugar than there is a demand for, the so-called world market is depressed. World market prices are often below the actual cost of production—which is the situation today. Producers that sell at

these depressed prices can do so only because they also sell in one or more of the protected markets, where the price is higher.

It is extremely interesting to me—and I believe it is highly important to our obtaining a true picture of the world sugar situation—to note that the sugar experts of the Department of Agriculture testified, under questioning, before the Senate Finance Committee last week, that raw sugar prices in the other great protected markets, such as the British and French, are comparable to U.S. raw sugar prices. There is very little, if any, difference. Therefore, Mr. President, it is utterly misleading for anyone to imply that all the rest of the world buys raw sugar at \$70 a ton less than U.S. refiners do. It simply is not the truth.

It is equally untrue to imply that the American housewife pays more for her sugar than do the housewives of most other countries. The truth is, Mr. President, that the retail price of sugar in the United States is about the same as the average of prices in other major consuming countries around the world. A study made for the Senate Finance Committee of retail prices in the 22 largest sugar-consuming countries is especially revealing in this respect.

It compares retail sugar prices in these countries on January 1 for each of the last 5 years. In 3 of the 5 years, the U.S. price was lower than the average of prices in all 22 nations—from one-tenth of a cent to four-tenths of a cent a pound lower. And in one of the other 2 years, the U.S. price was three-tenths of a cent higher than the average of all the countries, and in one year our price was only one-tenth of a cent higher.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the table which appears on page 29 of the excellent compilation of data relating to the Sugar Act Amendments of 1965 compiled by the diligent staff of the Senate Finance Committee.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Retail price of sugar for selected countries arranged in descending order of total sugar consumption, Jan. 1, 1961–65

[U.S. cents per pound]

	1961	1962	1963	1964	1965
United States.....	11.9	11.6	11.8	14.1	11.6
United Kingdom.....	9.3	10.0	10.0	11.1	11.1
Brazil.....	4.5	5.0	5.0	6.1	6.1
India.....	10.5	10.0	10.2	11.6	(¹)
West Germany.....	12.9	14.0	13.9	14.1	14.0
Japan.....	18.7	18.4	18.7	22.0	14.2
France.....	10.5	11.8	12.3	12.6	12.6
Italy.....	15.4	15.0	14.9	15.6	16.0
Mexico.....	5.5	5.6	5.6	5.6	5.6
Poland.....	13.5	13.5	13.5	14.6	(¹)
Canada.....	9.6	9.0	10.3	17.9	8.8
Netherlands.....	11.7	12.2	13.7	13.9	14.0
South Africa.....	6.4	6.5	7.0	7.0	7.0
Australia.....	9.3	9.3	10.3	10.3	10.2
Yugoslavia.....	25.4	25.4	25.4	25.4	13.3
Belgium.....	13.0	14.1	12.7	12.5	13.9
Pakistan.....	17.0	14.1	15.3	17.1	18.0
Sweden.....	12.6	12.2	13.7	20.2	15.0
Hungary.....	20.2	20.2	20.2	20.2	(¹)
Peru.....	2.8	3.7	3.7	5.1	5.8
Switzerland.....	9.1	8.6	8.8	12.7	11.2
China.....	9.1	10.0	12.3	13.4	13.4
Simple average.....	11.8	11.8	12.2	13.8	11.8

¹ Not available.

Mr. BENNETT. Mr. President, this study bears out an even more comprehensive study made by the United Nations a number of years ago of sugar prices in 121 nations around the globe. Again, the U.S. price was almost identical with the average of the prices in all the countries.

On another basis of comparison—the amount of time a workman must labor to earn enough to buy a pound of sugar—the price of sugar in the United States is the lowest in the world.

Mr. President, let us not be misled by the attempts of the perennial carping critics of the sugar program to mislead us. Let us not swallow the fantastically contrived figures purporting to show the “cost of this program to the American consumers.” Such figures simply do not present a true picture, because inevitably they are based on a comparison of our prices with prices on the so-called world market—which is only a dumping ground for homeless sugar, and not a normal market.

I repeat, Mr. President, that those who seek to mislead through the use of such erroneous comparisons do so either through ignorance of the true world sugar situation or through deliberate intent to mislead.

Mr. INOUE. Mr. President, it is with somewhat mixed feelings that I speak in support of H.R. 11135 as reported by the Committee on Finance. In most respects the bill represents a most important strengthening of the Sugar Act. In most respects the lessons of the past 3 years—the lessons to be learned from our experience under the Sugar Act Amendments of 1962—have been learned.

The bill abandons the global quota concept and substitutes instead a formula allocation of the entire foreign sugar quota among specified foreign countries. This makes it possible for those countries to which we look for our supplies of foreign raw sugar to know what is expected of them and to plan to meet their obligations under the act. Indeed, the present bill calls on countries receiving quotas to expressly commit themselves to fill their quotas. Under the old system, where we looked to all countries for our sugar, in effect we could look to none. What is everybody's business is nobody's. The assignment of responsibilities made by the present bill is an important improvement in the act.

The bill also abandons the closely related import fee of the 1962 act. In doing this, it accepts the recommendations of President Johnson as announced to the Ambassadors of the Latin American nations on August 17 of this year. In effect, the bill declares that we will not seek to buy raw sugar from our friends at distress prices, at prices which are less than the costs of production, at prices which do not permit our suppliers to make a decent living. This decision is, in effect, a declaration for trade instead of aid. In effect, it declares that we intend to deal fairly with our suppliers. With such a policy on our part, I am confident that our foreign suppliers will, in their turn, deal fairly with us.

The bill makes a sound division of quotas as between our domestic producing areas and our foreign suppliers. It

grants substantial and immediate quota increases to the domestic beet area and to the mainland cane area. This will permit these two areas to work off, in an orderly fashion, over a period of years, the surplus sugar they now have on hand. The bill also strengthens domestic production controls, to make more certain that burdensome surpluses are not produced in the future. The bill extends quotas for domestic areas through 1971, thus giving these areas some measure of certainty as to what the rules for sugar will be through that year. All of this is good, and I commend the Committee on Finance for these highly desirable provisions.

But it is just here that I believe a most dangerous weakness has been permitted to enter the bill. As reported to the Senate, the bill, while extending domestic quotas through 1971, extends foreign quotas only through 1967.

In limiting foreign quotas to 1967 the committee has chosen to ignore the recommendations of the Department of State, the Department of Agriculture, the entire domestic sugar industry, including the domestic beet producers and processors, the sugar producers of Hawaii and Puerto Rico, the cane growers of Louisiana and Florida, and the U.S. canesugar refining industry—to say nothing of the views of the House of Representatives as expressed in H.R. 11135 as passed by that body. With the greatest respect for the distinguished members of the Committee on Finance, it is my judgment that on this point the wiser course would be to extend foreign quotas through 1971. The action now recommended by Committee on Finance almost exactly parallels the action taken by the Congress in 1962. In the middle of that year the Sugar Act was extended through 1966. Domestic quotas were set for the full term of the extension; foreign quotas were established only for the years through 1964. When the time came, in 1964, to take action on foreign quotas, what was done? Nothing. Congress, for reasons which are understandable, if not particularly creditable, found itself unable to come to any decision. In the absence of congressional action, it became necessary for the executive branch to establish foreign sugar quotas by regulation, thus moving into a subject which had been the sole province of Congress for more than 30 years.

The 1962 extension of foreign quotas for less than the full term of the act teaches us something else: That when an act is open on one subject, it is all too likely that it will be opened on other subjects as well. It is a little like trying to crack half an egg. The Sugar Act is a single entity. When it is open, it is open, and efforts to limit legislative consideration to a single subject, such as foreign quotas, are most difficult to sustain.

We learned this also in 1964. It was only foreign quotas which expired in that year, but the bills which were offered dealt with almost every aspect of the act, and in the course of doing so, developed so much opposition that not even foreign quotas were dealt with.

I am very much afraid that the decision to limit foreign quotas to 1967 will destroy much of the certainty that all elements of the sugar industry so greatly need, and which an extension of the whole act through 1971 would give them. Business plans cannot be made on any efficient basis if they have to be made from year to year. The sugar industry is a major industry, in which many millions of dollars have been invested by hundreds of thousands of Americans. It gives direct employment to many thousands, and indirect employment to a vastly larger number. It has been disrupted and disturbed by sugar legislation in 1962, attempts at legislation in 1964, and now by the present legislative effort. If the bill as reported by the Committee on Finance becomes law, the industry can look forward to 1967 as another year of uncertainty. I say give the industry a little peace, and in the course of doing so perhaps we can have a little ourselves. I think an extension of the whole act through 1971 would do this. It would make the stability which the extension of domestic quotas through 1971 promises into a reality, and it would be an act of fairness to our foreign suppliers, to whom planning is just as important as it is to our domestic industry.

I would hope that when H.R. 1135 goes to conference with the House, the conferees representing the Senate would approach the question of the duration of foreign quotas with minds which are responsive to the argument favoring extension of the whole act through 1971. It is my own conviction that this is the only way in which we can really meet the needs of our domestic sugar industry for legislative stability; it is the only way we can avoid executive encroachment on what should be legislative decisions.

Mr. President, if I may impose upon the distinguished Senator from Louisiana, the acting chairman of the Committee on Finance, who is in charge of the bill, I should like to ask him a question.

Do I correctly presume that the Senator will be in charge of the conferees representing the Senate?

Mr. LONG of Louisiana. I hope to be one of the conferees.

Mr. INOUE. Can the Senator give the Senate some indication as to whether the conferees would be sufficiently flexible as to consider extending the foreign quota section to 1971?

Mr. LONG of Louisiana. This would be a subject that would be very much in conference. So far as I am concerned, I have no strong feeling about the matter one way or the other. This is one of the questions that could be resolved to either extreme, or it could be resolved, perhaps, as a compromise, on a 3- or a 4-year basis, rather than on a 2- or a 5-year basis.

I should imagine that the Senate conferees would be guided in some measure by the degree of success they have had with respect to other matters in conference.

As the Senator well knows, there is a vast difference between the action of the Senate and the action of the House of Representatives on the foreign quotas. If we could arrive at an agreement that

is more in accord with the action of the Senate and the recommendation of the administration—the two of which are much more closely in line—I should think that the Senator would feel more like yielding, at least to some extent, with respect to the duration of the foreign quotas.

I am sure the Senator realizes that if we were to wind up with an agreement on foreign quotas that we thought was unreasonable and unfair, at least to some degree, we would be inclined to want to stand by the 2-year limitation.

Mr. INOUE. Mr. President, I would be very pleased if the Senate were to adopt this concept. I believe this would give the foreign countries an idea of our good faith. It would provide them with some stability so that they would produce the sugar we need so badly.

I should think we would bring about greater stability and reliance if we were to extend this act on a 5-year basis, as we do with respect to the domestic portion.

Mr. LONG of Louisiana. Mr. President, I compliment the Senator from Hawaii for the very fine statement he has made. He has given much thought to this matter. I agree with almost everything the Senator has said in his very fine speech.

I shall keep in mind the fine suggestions that the Senator has made, when the bill is in conference. I shall, of course, feel compelled to support the position of the Senate and of the committee, as the Senator knows. However, the Senate is not inflexible on this matter. There is nothing immutable about the 2-year limitation.

I quite agree with what the Senator has said to the effect that the foreign countries have the same situation as we do in Louisiana and in Hawaii, in which States the cane is in the ground for several years, and we sometimes have difficulty knowing just what our situation will be when we produce the sugar.

It is an unfortunate situation. Not knowing where they stand has caused a lot of people in Louisiana to be in a very distressed situation at this time.

I can appreciate that people would like to know where they stand before they produce the sugar.

Mr. FONG. Mr. President, will the Senator yield?

Mr. INOUE. I yield.

Mr. FONG. Mr. President, I subscribe wholeheartedly to the very fine and excellent remarks of my colleague, the distinguished Senator from Hawaii.

I voice his sentiment that the committee has done a good job. I also am quite fearful concerning the extension of the foreign quotas for only 2 years. I believe that the quotas should be extended through 1971 to coincide with the termination of the domestic quota provisions.

The sentiments expressed by my colleague concerning the reopening of the Sugar Act at the end of 2 years are well founded. I hope that the conference committee will look into that matter very thoroughly and come forward with the same time limit on the foreign quotas as has been recommended for the domestic program.

Mr. INOUE. Mr. President, I thank my senior colleague for his fine comments and for his support.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

END OF SESSION SUGAR BILL

Mr. DOUGLAS. Mr. President, as usual, this bill comes to us virtually at the end of the session and the Senate is not given adequate time within which to discuss the very basic features of the sugar program and the specific details of the bill.

This is generally the result of the practices of the House Committee on Agriculture which holds back to the end of the session and then stands firmly in conference. In justice, we must say that the administration was very slow in producing its bill this year. I believe the administration bill was not presented until late in September.

The administration has also reversed its provision on the general features of the sugar program. Last December the administration announced that it intended to have an import fee system so far as general importations were concerned, and to impose an import fee amounting to a part of the difference between the world price and the American price which, as I shall shortly show, was very considerable.

I have advocated this global quota rather than specific countrywide quotas for at least 5 years. I have associated with that the import fee of the difference between the world price and the domestic price. This difference would be paid into the U.S. Treasury and would save the taxpayers many tens of millions of dollars a year.

FORTY-ONE MILLION DOLLARS SAVED IN RECENT PAST

On one occasion the Senate Committee on Finance approved this global quota system. On another occasion the Senate, on its first vote, approved of it, and later made modifications in it. Nevertheless, the global quota and the import fee system were used for 1962 and for part of 1963. This use netted the Treasury \$41 million during that period of time. However, the import fee provisions expired last December 31. But the administration did announce it would propose such a system again this year. But in September, in the bill which came up, we had once again the system of paying the foreign producers the high American price without any recapture of the difference in assigning the slices of the pie to specific countries.

HOW WERE QUOTAS DETERMINED

I believe that the Senate bill is not quite as bad a bill as is the House bill. During the period of time in which the House considered the bill, there was a strange juggling of national quotas. Venezuela, which had produced little or no sugar before, found itself with a very large quota, having had the services of a skilled and well-known Washington lobbyist.

Argentina, which had not hired a lobbyist, had its Ambassador represent his country, without having hired high-priced Washington lawyers. Argentina came out very badly.

There are a number of other interesting assignments which are difficult to explain, and which I shall not attempt to go into at this time.

The Senate has improved these features. We have eliminated many of the inequities in the House bill. It is still a bad bill. The Senator from Louisiana did very good work on the bill, but he inherited a bad system. He is a good man who is serving the wrong system.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. Mr. President, I ask this question as a lawyer. Fortunately I am paid to serve in the Senate and do not have to practice law and do not do so.

I ask the Senator whether he is contending that a lawyer should be denied the right to seek employment and earn a fee?

Mr. DOUGLAS. I am not contending for any such system. The system under which we operate inevitably results in various countries securing the services of the most skillful and able people to represent them.

It is the system which is at fault, and not the individuals.

Mr. LONG of Louisiana. Mr. President, the Senator knows that, so far as the Senate Committee on Finance is concerned, the Argentine Government which had no lobbyist got exactly what the administration recommended. I think it is a very good quota and very fine treatment.

HOUSE USUALLY WINS

Mr. DOUGLAS. Mr. President, I believe that the hands of the Senate Committee on Finance are clean in this matter.

The Senate conferees will meet in conference with the House conferees. Past experiences has always shown that it is the House quotas which are retained, and the Senate is forced to abjectly surrender. In spite of the firm view on sugar which has been taken by the Senator from Louisiana, I think it is probably going to be the experience again.

Mr. LONG of Louisiana. Mr. President, I do not agree with the Senator from Illinois that the Senate conferees, the senior members of the Senate Committee on Finance, have not succeeded in having a considerable amount of influence on what the quotas would be. Generally speaking, we have brought back from conference a compromise between the House recommendation and the Senate recommendations.

I should hope that the Senator would not presume that because the House assumed its responsibility—as did the Senate committee—in arriving at some difference of opinion with those who administer these laws, the House is necessarily evil, or that they did not exercise good logic in taking the position they did.

SYSTEM PRODUCES LOBBYISTS

Mr. DOUGLAS. The Senator is resorting to his usual device of caricaturing the position of the opposition. If the Senator will permit me, I intend shortly to demonstrate that the whole system upon which the Sugar Acts have been

based has been basically wrong, costing hundreds of millions of dollars each year to American consumers, the cost having amounted, over the last 30 years, to probably at least \$10 billion taken out of the pockets of American consumers; and that, in the distribution of the foreign sugar bonuses, it is helpful to have influential friends. As soon as that system prevails, they are going to have lobbyists and lawyers—and I do not blame them. One man is getting \$125,000. I do not object to that; it is inevitable.

Mr. LONG of Louisiana. Mr. President, would the Senator agree that we have passed other laws, which have nothing to do with foreign governments, in connection with which somebody might have received \$125,000 for a fee? Anyone is entitled to hire a lawyer—in fact, I think many times one is a fool not to hire a lawyer. There were a number of cases in which our Senate committee, looking at a change that the House had made, agreed that the House was right, and in some instances the Senator from Illinois voted to reduce the cuts even below the House figure. So we cannot very well say that those people were necessarily controlled by lobbyists, or that the lobbyists exercised any undue influence, when in a number of instances we agreed with what the House did and in some instances the Senate wished to go even beyond that.

Mr. DOUGLAS. If my good friend from Louisiana will permit me to proceed with an analysis of the whole system and of the bill, I shall be glad to answer his questions as I proceed.

Mr. LONG of Louisiana. I hope the Senator will be charitable—

Mr. DOUGLAS. I am always charitable.

Mr. LONG of Louisiana. When the debate might, in some manner, impugn the honor and motives of Members of the House of Representatives, because I believe them to be honorable men.

Mr. DOUGLAS. I agree.

Mr. LONG of Louisiana. I think they are doing the best they can, as the good Lord gives them to see it. As one Senator and as a lawyer by profession, it is my belief that whoever wants to hire a lawyer to represent him has a right to do so.

Mr. DOUGLAS. Oh, certainly.

Mr. President, I know that the way is greased for the passage of this bill, and that we shall probably face, in a few days, the bill agreed upon in conference, which will probably be much closer to the House version than the Senate version, because the House generally assumes in these matters that its action is an accomplished fact.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. No, I shall not yield further. I wish to develop the matter.

Mr. LONG of Louisiana. Mr. President, the Senator is being most unkind. I had hoped he would be charitable, and would yield for a short interruption. Then I would let him make his speech.

Mr. DOUGLAS. Mr. President, I cannot resist such a plaintive request.

Mr. LONG of Louisiana. Mr. President, the Senator from Louisiana has on

a number of occasions gone to conferences representing the Senate and defended Douglas amendments.

Mr. DOUGLAS. Yes.

Mr. LONG of Louisiana. I particularly have in mind the Douglas amendments to the social security and public welfare laws. My recollection is that while in earlier years we have not had much success, the last time we prevailed on almost all of them, and they are now important and valuable additions to the law of this country.

Mr. DOUGLAS. The Senator is essentially correct, and I wish to thank the Senator from Louisiana for taking the position he did on the medicare bill also. But the sugar bill is something else. When a sugar bill comes to conference between the House and the Senate, it is the House which almost always prevails.

If I may be permitted to continue, I would appreciate it.

NEED PUBLIC UNDERSTANDING

I know the bill will be passed by the Senate. One may well ask, therefore, why should I take the floor to discuss it? I take the floor to discuss this measure because the American public does not understand what the sugar program is. If the public understood the program, there would be such a wave of public indignation that in the long run it could not be maintained. Therefore, I am speaking to the future.

I hope that a very mild amendment I intend to offer will be adopted. It would net the Treasury about \$20 million a year.

I understand at this time that there will not be any fundamental change made in the bill. But public opinion, when it is informed and aroused, can do a great deal. Therefore I should like to speak concerning the sugar program in general, and then come to the details of the bill.

CARIBBEAN HAS NATURAL ADVANTAGES

The sugar program for both domestic and foreign suppliers is the most highly subsidized commodity program of all. If this were a rational world—and unfortunately it is not—sugar would be grown in the Caribbean, where soil and climate cause costs to be low—and probably also in Hawaii, I may say to my good friend from Hawaii—because sugar is much better grown in the tropics, and Hawaii is on the edge of the tropics, as is Puerto Rico also; then sugar would be imported into the United States, and also produced in Hawaii, and the funds obtained by Caribbean countries for the sale of their sugar, amounting to hundreds of millions of dollars a year, in turn would be used to buy American wheat, machinery, equipment, medicines, and other commodities in which we have a great natural advantage over them as they have a natural advantage over us in the production of sugar.

SUBSIDIES NEEDED TO PRODUCE DOMESTICALLY

Instead, however, we have a domestic sugar program which pays tremendous subsidies to producers in order that it may be possible for sugar to be grown within the United States at all. In turn, under almost all features of past sugar programs and under the administration bill, the House bill, and the Senate bill,

foreign producers are in turn granted this highly subsidized American price.

That is the point. It is a subsidized American price, far above world costs. Foreign producers are paid the high American price—not the world price, and not their own cost, but much more than that; and in effect this is a tremendous windfall for most foreign producers.

LIKE GROWING BANANAS ON PIKE'S PEAK

If bananas were grown on Pike's Peak and if the American Government subsidized the domestic producers in order to make it profitable for them to grow bananas on Pike's Peak, and if we then, in turn, paid the producers of bananas in the Caribbean this same price, we would have almost an identical analogy to the sugar program.

The sugar program also has direct subsidies which former Secretary of Agriculture Brannan, whose proposals for other commodities have been heavily criticized by almost the same groups who support the domestic sugar program, never dreamed of.

TOTAL CONSUMPTION SET

First of all, total consumption for the country of sugar is set by the Department of Agriculture at 9.7 million tons a year. That comes out almost precisely to 100 pounds of sugar per capita—per man, woman, and child—in the country. High prices are thus assured by limiting the amount of sugar available to refiners and consumers.

PRODUCTION QUOTAS AND PRODUCTION PAYMENTS

Second, production quotas are provided for each grower.

Third, production payments in the form of direct payments are made to growers. This amounts to from 30 to 80 cents per hundredweight or from \$6 to \$16 per ton depending upon the size of the farm or production unit.

In the 1964 crop year, \$90.5 million was paid in direct payments to producers. The average is about \$15 a ton—or three-quarters of a cent a pound on the amount produced domestically, including Hawaii and Puerto Rico.

In the years since 1937, \$1.6 billion has thus been paid to producers under our domestic program.

MARKETING QUOTAS APPLIED

Fourth, in addition to all this, marketing quotas are provided in order to limit the amount which is available for consumption. All this results in a domestic raw sugar price which, at present, is 6.85 cents a pound.

I repeat, the price of raw sugar in New York is 6.85 cents a pound. The refined price of sugar is approximately 4 cents a pound more.

PROTECTIVE TARIFF

Fifth, in order to further protect the domestic producers and to increase the price to the consumer and to make it possible for sugar to be grown domestically at all, a protective tariff of 62½ cents per hundredweight is assessed against all foreign sugar except for Philippine sugar which now comes in at 50 cents per hundredweight and which will not reach 62½ cents per hundredweight until 1975.

All of these provisions mean that the

U.S. price on the average and over the years is considerably higher than the world price, which in the Caribbean is now about 2.1 cents a pound.

The American price is 6.85 cents a pound. To get a fair comparison, of course, we should take the cost of moving sugar from the Caribbean to New York plus the tariff, because the quotation of 2.1 cents in the Caribbean is what is known as the FAS price, or "free alongside the ship." The shipping costs plus insurance from the Caribbean to New York approximate half a cent a pound.

The tariff, as I have said, is .625 cents a pound, and therefore, taking freight, insurance, and tariff, Caribbean sugar would be delivered to New York at approximately 3¼ cents a pound, but under the arrangements, the foreign shippers receive the highly subsidized American domestic price of 6.85 cents a pound. This amounts to a subsidy of 3.6 cents a pound, or \$72 a ton over the world price.

BONUS OF \$25 A TON OVER 15 YEARS

I have made a comparison for the 15-year period, from 1950 to 1964—if the year of 1965 is objected to. The bonus to foreign producers over the 15 years has amounted to 1¼ cents a pound on the average, or \$25 a ton. We were at one time importing approximately 5 million tons from the Caribbean, or giving them a bonus of \$125 million.

Mr. President, I ask unanimous consent that a table of the U.S. price for sugar and the world price for sugar since 1948, and the averages for these prices over various periods, be printed in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Average prices of raw sugar, domestic and world and quota premiums or discounts, calendar years 1948-64

[Cents per pound]

Year:	Domestic sugar duty paid New York	World sugar	Quota premium or discount ¹
1948	5.54	4.23	+0.41
1949	5.81	4.16	+.78
1950	5.93	4.98	+.11
1951	6.06	5.67	-.60
1952	6.26	4.17	+1.18
1953	6.29	3.41	+2.02
1954	6.09	3.26	+1.95
1955	5.95	3.24	+1.76
1956	6.09	3.48	+1.62
1957	6.24	5.16	+.14
1958	6.27	3.50	+1.91
1959	6.24	2.97	+2.38
1960	6.30	3.14	+2.21
1961	6.30	2.91	+2.45
1962	6.45	2.98	+2.58
1963	8.18	8.50	-1.23
1964	6.90	5.87	+.11
17 years, 1948-64 average	6.29	4.21	+1.16
January to September 1965	6.73	2.18	+3.60
Average:			
15 years, 1950-64	6.37	4.22	+1.24
10 years, 1955-64	6.49	4.18	+1.39
10 years, 1956-65	6.57	4.07	+1.58

¹ Difference after world price is adjusted to New York basis (freight, insurance, and duty).

² 1965—Average January-September.

Mr. DOUGLAS. Most of this money went to Cuba. Castro is not correct, therefore, when he declares that we abused Cuba. We have paid large premiums to Cuba.

As a consequence of the features of the system, not only in this year but also over a very long period of time, foreign producers have received tremendous bonuses or windfalls amounting to billions of dollars for the sugar they sell in the American market. This is the reason why—as I was trying to tell my good friend the Senator from Louisiana [Mr. LONG]—they are so anxious to sell here and why there is such tremendous lobbying for a slice of this highly subsidized price.

That is the basic reason. Granted that situation, it is inevitable that these countries would search for able and influential lawyers and lobbyists to press their case. There is gold in "them thar" provisions. They are willing to pay for it. I do not blame the countries. I do not blame the attorneys. My good friend the Senator from Louisiana has tried to lead me down the garden path to refer in noncomplimentary terms to lawyers and lobbyists. I make no such charges. I say that it is inevitable, if one places a bowl of sugar out in the sun on a hot day, the flies will come to it. That is what is happening here.

There is a western expression that where the carrion lies, there the vultures flock to feast.

Mr. LONG of Louisiana. Mr. President, will the Senator from Illinois yield right there?

Mr. DOUGLAS. I yield, briefly.

Mr. LONG of Louisiana. The Senator from Illinois has just stated that he did not make any invidious comparisons in referring to lawyers and lobbyists, yet he has just finished referring to them as flies on the one hand and vultures on the other. If those are not invidious comparisons, I do not know what they are.

Mr. DOUGLAS. That is a figure of speech, only an analogy. If it has application in this case, the Senator from Louisiana can draw it. It was merely an analogy on my part, but it is true that if we put a bowl of sugar out in the sunshine, the flies will flock to it. Put large bonuses in the sugar bill, and we can be certain that the countries will rush for them.

If the Senator from Louisiana would prefer, I can use a more porcine analogy and say that when the swill is abundantly distributed, the four-legged creatures rush to get at it.

Mr. LONG of Louisiana. I should imagine that those people would more appreciate being referred to as a hog than a fly or a vulture. If I do say so, that is not a particularly complimentary term, even on that basis.

Mr. DOUGLAS. I am merely using figures of speech to make what is happening more vivid to the common understanding.

PROCESSING TAX ADDED

Mr. President, the American consumer, therefore, is not only saddled with this high price, but, in addition, there is a processing tax of ½ cent per pound which is on top of the highly subsidized price and which is passed on to the consumer in the price he pays at retail. Last year this tax cost the American taxpayer and sugar consumer \$95.8 million and in the period from 1938 through 1964 these

tax collections have amounted to \$2,144,-533,392.

The consumer gets it in the neck. He pays an artificially high price in order that there be any domestic production at all. Foreigners who normally produce sugar at a cost of at least \$24 a ton below this highly subsidized price receive the subsidy also.

And then the poor consumer pays through the nose by way of a processing tax. The poor consumer, the housewife, is not able to hire a \$125,000 lawyer and lobbyist, and is commonly ignorant of the fact that her pocketbook is being picked, and is not able to defend herself.

WHO GETS THE SUBSIDY?

The main facts of allocation of sugar under the proposed program are known.

Domestic beet gets 3,025,000 short tons.

Mainland cane gets 1,100,000 tons.

They struggle with each other, but they have reached a temporary alliance. Hawaii gets 1,110,000 tons.

I congratulate the able Senator from Hawaii [Mr. INOUE] for his part in obtaining a high quota for his people.

Puerto Rico gets 1,140,000 tons.

The Virgin Islands get 15,000 tons.

This is a subtotal of 6,390,000.

Then, by treaty, the Philippines receive 1,050,000 tons, making a total so far of 7,440,000 tons.

Foreign countries, upon whose quotas this differential is paid, receive 2,260,000 tons.

So the total is 9,704,000 tons, as the following table, which I ask unanimous consent to have printed at this point, indicates.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

	Short tons
Domestic beet	3,025,000
Mainland cane	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Subtotal	6,390,000
Philippines	1,050,000
Subtotal	7,440,000
Foreign	2,260,000
Subtotal	9,704,000

Mr. DOUGLAS. Roughly 6.4 million tons is allocated to what is termed the American domestic market. The Philippines, under treaty arrangement, receive another 1,050 million tons. Finally, the remainder of 2,260 million tons is allocated to foreign producers.

At present world prices and at the \$72 per ton bonus, foreign suppliers will receive a bonus of about \$160 million a year, or \$800 million over the 5-year span of the House and original administration proposal, which my friend the Senator from Ohio, expects to reinstate instead of the bill proposed by the Senate.

Since the present world price is probably artificially low, just as the price in 1963 and 1964 was artificially low—it is perhaps fairer to use the average bonus of \$24 a ton over the past 15 years, which amounts to \$54 million a year and \$270

million over the 5 years of the proposed program.

It is true that France and Great Britain have national systems in which they favor their colonies and pay above the world price, and that this reduces the amount of sugar available in the world market. That fluctuation in the total production of sugar over the world produces great fluctuations in the world price. That is perfectly true, and the Senator from Louisiana [Mr. LONG] has made a good point in bringing it forward.

I would like to raise the question as to why we must agree to adopt the British and French system. As I understand, there has recently been a conference in Geneva among the great sugar consuming countries in which it was proposed that the price on sugar should be fixed at between 4 and a little over 5 cents a pound, but not at 6.85 cents a pound. I would like to know what position the U.S. State Department took in this conference, whether it said one thing at Geneva and is now saying another thing before the Congress.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MORTON. The position the U.S. State Department has taken has been that which was dictated from the White House.

Mr. DOUGLAS. I did not raise that question. I said I would be interested to know what the position was. I do not wish to emulate Julius Caesar, but I can say that Caesar's sword spares no one.

To, repeat, since the present world price is probably artificially low, it is perhaps fairer to use the average bonus of \$24 a ton over the last 15 years, which amounts to \$54 million a year—\$270 million over the 5 years of the proposed program.

I know some people will say, "What is \$54 million a year?" It is a great deal. So far as the consumer is concerned.

TOTAL BURDEN HEAVY

So far as the consumer is concerned, this is only a small part of the price he pays both to domestic and foreign producers. At the present bonus of \$72 per ton for 9.7 million tons the consumer would pay almost \$700 million a year, or almost \$3.5 billion for 5 years in the form of total subsidies over the present world price.

One must add to both of these figures the approximate \$95 million per year, or \$475 million over the 5-year span of the program which the consumer pays by way of the processing tax.

These are indeed high prices and high charges with which the American consumer and taxpayer must be burdened for one of his basic needs of life.

PRODUCTION PAYMENTS

Now let me say something about who gets this one-half cent processing tax, levied upon the consumer and distributed to producers.

During the Senate hearings on the bill, the Department of Agriculture spokesman agreed that the following list of 25 companies and the production payments they received for the 1963 crop year were substantially correct. That list follows:

U.S. Sugar Corp., Florida: \$1,104,-613.05.

That is a small producer; is it not? Hawaiian Commercial & Sugar Co., Ltd., Hawaii: \$1,074,520.77.

I suppose that is owned by one of the big five families.

Oahu Sugar Co., Ltd., Hawaii: \$574,-552.89.

C. Brewer Puerto Rico, Inc., Puerto Rico: \$569,233.42.

Lihue Plantation Co., Ltd., Hawaii: \$559,892.84.

Waialua Ag. Co., Ltd., Hawaii: \$549,-392.78.

Okeelanta Sugar Refinery, Florida: \$548,282.33.

Luce & Co., Puerto Rico: \$539,645.20.

Ewa Plantation Co., Hawaii: \$460,-721.35.

Pioneer Mill Co., Ltd., Hawaii: \$444,-611.23.

Kekaha Sugar Co., Ltd., Hawaii: \$399,-285.52.

Grove Farm Co., Ltd., Hawaii: \$368,-795.14.

Pepee Sugar Co., Hawaii: \$362,-866.55.

Hawaiian Ag. Co., Hawaii: \$359,090.02.

South Coast Corp., Louisiana: \$356,-593.10.

Louisiana is getting into the act. Antonio Roig Sucrs. S. en C., Puerto Rico: \$346,517.03.

Laupahoe Sugar Co., Hawaii: \$344,-705.63.

Kohala Sugar Co., Hawaii: \$332,175.94.

Olokele Sugar Co., Ltd., Hawaii: \$312,-628.01.

Puna Sugar Co., Ltd., Hawaii: \$298,-803.48.

Wailuku Sugar Co., Hawaii: \$296,631.-39.

McBryde Sugar Co., Ltd., Hawaii: \$294,161.87.

Hutchinson Sugar Co., Ltd., Hawaii: \$287,647.39.

Suc J. Serralles, Puerto Rico: \$273,-404.51.

Onomea Sugar Co., Hawaii: \$268,893.31.

Mr. INOUE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I shall be glad to yield for a question, but not a speech.

Mr. INOUE. May I make a comment?

Mr. DOUGLAS. Yes, if it is not too long.

Mr. INOUE. It is apparent from the statement just made by the Senator from Illinois that the plantations in Hawaii are particularly large ones. We do not deny this.

Mr. DOUGLAS. Is it not true that virtually all the land in Hawaii is owned by five families?

Mr. INOUE. This is not true.

Mr. DOUGLAS. I thought the Senator used to make speeches to that effect.

Mr. INOUE. That was some time ago.

Mr. DOUGLAS. The five families, through the passage of time and the marriage of their daughters expanded, but it is not true that the families of the original missionaries who came out to do good, and did well, have virtually all the land in Hawaii?

Was there not a subtle exchange? When the missionaries went out there,

they had the Christian religion and the natives had the land; but when they were through, did not the natives have the Christian religion and the missionaries have the land?

Mr. INOUE. I believe that this is quite unfair to some of our business leaders in Hawaii. I would like to point out a few things not in the statement of the Senator.

The compliance payments range from approximately \$6 a ton to \$16 a ton.

Mr. DOUGLAS. That is what I said.

Mr. INOUE. In the case of Hawaii, most of our plantations, because of size, are receiving the minimum amount—

Mr. DOUGLAS. But getting large returns.

Mr. INOUE. Whereas the small plantations, such as sugarbeets, are receiving the maximum.

Mr. DOUGLAS. How many sugarbeet growers are there in Hawaii?

Mr. INOUE. None.

Mr. DOUGLAS. I understand. They are on the mainland.

Mr. INOUE. Secondly, the Senator brought up the matter of excise taxes and processing taxes.

Mr. DOUGLAS. Yes.

Mr. INOUE. Hawaii pays \$9.3 per ton in excise taxes and we are averaging presently in receipts \$6 per ton in compliance payments.

So far as I am concerned, if the U.S. Government were willing to do away with excise taxes and compliance payments, we would be ahead.

Mr. DOUGLAS. I hope the Senator will join us sometime.

Mr. INOUE. By taking away the compliance payments, in Hawaii there would be a penalization of the high standards set up for the workers.

As the Senator knows, our workers are the highest paid in the world. We have the best working conditions for our workers, the best medical benefits and dental benefits, and we have the highest wages for a workweek.

Mr. DOUGLAS. I believe that is probably true.

Mr. INOUE. We also produce, because of the mechanization and technological strides we have taken, 17 tons of raw sugar per acre, whereas in the Caribbean they produce about 4 tons. Taking away the compliance payments would result in a penalty.

Mr. DOUGLAS. In the open market Hawaii would be a sugar power tomorrow. The Hawaiian sugar industry can look the whole world in the face and fear no man.

Mr. INOUE. We are willing to subsidize sugarbeet production on the mainland.

Mr. DOUGLAS. I am glad the Senator states that they are subsidizing.

Mr. INOUE. We are paying in taxation \$9.30 a ton and receiving \$6 a ton.

Mr. DOUGLAS. But the American consumer is paying higher prices than she would have to pay if the United States bought sugar in the world market at world prices.

Mr. INOUE. I bow to the Senator from Illinois for his background in economics.

I am sure the Senator realizes that the world market is determined by less than 5 percent of all the sugar in the world. It is not a firm basis to determine world market prices. It involves manipulative prices.

Mr. DOUGLAS. Not manipulative prices, but it is true that it is subject to excessive fluctuations.

Mr. INOUE. I believe sugar prices have been the most stable of all commodity prices, with the exception of the last 3 years.

Mr. DOUGLAS. But the point is that they have been excessive all along.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MORTON. I followed the Senator from Illinois in certain motions that he made or amendments he offered in the Finance Committee. There is much to be said for his point. It is the consumer who will be the beneficiary if we do away with the whole program. But we have a program, and we are going to keep the program.

I, as one who does not have a sugarbeet in his State, or sugarcane in his State, or refineries in his State, wish to say that I believe that the job that has been done in the State of Hawaii, the 50th State, is one of the greatest jobs I have seen. They are paying \$24 a day to men in the field.

But we can talk about the five families and always get a good laugh from the press gallery on that.

Mr. DOUGLAS. It is true.

Mr. MORTON. It may be true, but I am saying they are getting twice as much and shipping it 2,600 miles across the sea to refineries and still beating the prices of this country where wages are about half of that.

Mr. DOUGLAS. I am not attacking the five families who formerly ruled Hawaii before our good friend appeared on the scene.

Mr. MORTON. I am not defending them. I am defending the State.

Mr. DOUGLAS. I am not attacking the State. I am merely pointing out that the American consumer is denied the opportunity to get low-cost sugar from the Caribbean and Hawaii. I hope we can enlist the Senator from Hawaii in the cause of free trade in sugar at some time, which would greatly benefit Hawaii instead of being a restriction of 1,100,000 tons.

SECOND 25 COMPANIES GETTING PRODUCTION PAYMENTS

Mr. President, I have a list of 25 companies that are receiving bonuses ranging from \$251,883 to Southdown, Inc., of Louisiana, and through another Hawaiian company such as Hilo Sugar Co., Honokan Sugar Co., Kilauea Sugar Co., Hamakua Mill Co., and so on, down to Savoie Industries in Louisiana, which got \$77,729.

I ask unanimous consent that the table be printed in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Sugar Act payments—1963 crop

	Payment
Southdown, Inc., Louisiana.....	\$251,883.28
Hilo Sugar Co., Ltd., Hawaii.....	219,527.59
Kahuku Plantation Co., Hawaii.....	200,247.80
Honokau Sugar Co., Hawaii.....	194,321.46
Gay & Robinson, Hawaii.....	176,998.25
Kilauea Sugar Co., Ltd., Hawaii.....	169,638.86
Hameka Mill Co., Hawaii.....	162,312.03
Talisman Sugar Corp., Florida.....	154,980.47
Florida Sugar Co., Florida.....	153,802.09
Pasuhau Sugar Co., Ltd., Hawaii.....	139,801.57
Sterling Sugars, Inc., Louisiana.....	136,333.69
Heirs of Gabriel Pla, Decd, et al, Puerto Rico.....	123,096.72
Vicorp, Virgin Islands.....	120,479.24
A. Duda & Sons, Florida.....	111,248.35
Closter, Farms, Inc., Florida.....	109,001.18
Ramon Gonzalez Hernandez, Puerto Rico.....	108,392.20
Milliken & Farwell, Inc., Louisiana.....	104,974.05
A. Wilbert & Sons L & S Co., Louisiana.....	99,725.55
M. Mercado E. Hijos (partnership), Puerto Rico.....	94,819.57
Osceola Farms Co., Florida.....	93,579.29
South Florida Sugar Co., Florida.....	93,306.84
Antonia Cabassa Vda Fajardo et al, Puerto Rico.....	92,588.87
Sugarcane Farms Co., Florida.....	80,359.60
715 Farms Ltd., Florida.....	80,105.02
Savoie Industries, Louisiana.....	77,729.96

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. I shall yield in a moment. The 50 largest producers received almost \$14.7 million, or 16 percent of the \$90.8 million paid to producers under the act in the 1963 crop year. All this indicates that the bonus subsidies are received by comparatively few big producers. It can hardly be argued that in these cases the program supports the small farmer.

Mr. INOUE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I promised first to yield to the Senator from Louisiana.

Mr. LONG of Louisiana. The Senator speaks of bonuses. The bonus goes to the man who has the acreage or the refinery.

Mr. DOUGLAS. The man who has the land.

Mr. LONG of Louisiana. The fact is that he must split up that bonus with his laborers. People talk about the high wages in Hawaii. The workers over there have a strong union. That union wants to see the books of the company. They say, "You received \$300,000. We want \$250,000 of that for ourselves."

Mr. DOUGLAS. It is hardly that big a split.

Mr. LONG of Louisiana. The Senator would be surprised how well that union does. It is one of the strongest unions in America.

Mr. INOUE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. INOUE. I should like to point out, with respect to the list of the 50 great producers, who have amassed \$15 million, as the Senator says, that I am certain that all the producers must have paid processing taxes far in excess of what they received.

CONSUMER PAYS THE TAX

Mr. DOUGLAS. But it is the consumer who pays the processing tax. The processor advances it, but he recoups it from the higher price which he receives. It is the housewife who pays it. The child munching a 5-cent candy bar pays it. The lumberman who puts a spoonful of sugar in his coffee pays it. The switchman on the railroad is the one who pays the tribute.

It is true that the proceeds are more widely distributed than they once were. It is true that the Senator from Hawaii, who is one of the heroes of the great book "Hawaii" by James Michener, did a great deal to bring about a more equitable distribution of the money.

I recognize that because of the long-time institutional arrangement involved, it is impossible to make any fundamental change in the domestic program at this time. I do not contemplate that such a change will be made. I am not proposing any change in the domestic program.

But I think the facts should be aired, so that public opinion in the future may be able to move on this subject.

Mr. HOLLAND. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. HOLLAND. The Senator realizes, of course, does he not, that the increase in production, both in the beet and the cane sugar industry on the mainland, came in large part because of an invitation by the Department of Agriculture to produce more sugar at a time when it was not certain that we would have enough?

Mr. DOUGLAS. Fundamentally, it came from the fact that Castro adopted an attitude highly antagonistic to the United States and the U.S. Government very properly imposed a boycott on the purchase of Cuban sugar. I approved of President Eisenhower's doing that. Therefore, we distributed the Cuban production into three parts—some to domestic producers of both cane and beet sugar some to cane sugar producers in the Western Hemisphere; and some to countries outside the Western Hemisphere. I understand that.

Mr. HOLLAND. Mr. President, will the Senator further yield?

Mr. DOUGLAS. I yield.

Mr. HOLLAND. I am glad the Senator does not object to that, because I know of my own knowledge that although there is rather generous treatment of domestic producers, it is not sufficient to meet their increased production, which in large part results from the invitation or suggestion by the Department of Agriculture itself that they produce more for a better serving of the needs of this country.

Mr. DOUGLAS. I was merely placing the facts in the RECORD, so that people may know them and make up their own minds. We have little time in which to act. The session is so near the end that it is impossible to make any fundamental change in the domestic program.

I am not proposing one. No one knows how far in the future the domestic program should be reconsidered. As one who believes fundamentally in trade between nations, I believe the sound and rational policy would be to draw our sugar from Hawaii and the Caribbean, where costs are low, and to sell in return goods which we can make at a positive comparative advantage.

Mr. HOLLAND. Mr. President, will the Senator further yield?

Mr. DOUGLAS. I yield.

Mr. HOLLAND. I agree entirely with the Senator in his attitude with respect to Hawaii. It is one of the 50 States and is entitled to the same generous treatment accorded to producers everywhere in the United States. I agree that the same attitude should be extended to Puerto Rico, an independent Commonwealth, in a way, yet truly a part of the United States.

I merely make the point that I am glad the distinguished Senator from Illinois is not finding fault with the rather modest increases in domestic allotments that do not fully meet the increases in production which were accomplished by both the beet and the cane sugar industries as a result of the Castro incident and as a result of the deliberate invitation and effort on the part of the Secretary of Agriculture, with which I find no fault at all. The Secretary was trying to take care of domestic needs by having domestic producers produce more sugar. I am glad that the Senator is not seeking to find fault with that situation.

Mr. DOUGLAS. I thank the Senator from Florida. I merely wanted to place the facts in the RECORD.

However one may justify the domestic program—and I admit that it is impossible to change it at this time—as I see it, there is no justification whatsoever to extend the highly subsidized price to other countries, especially to countries outside the Western Hemisphere, and we already know how to prevent this.

Mr. President, I ask unanimous consent to have printed in the text of my remarks the justification for foreign sugar quotas as recommended by the administration in the bill introduced by the Senator from Louisiana [Mr. LONG].

There being no objection, the justification was ordered to be printed in the RECORD, as follows:

When asked for a justification of these grants, the administration witnesses first argued that this was a form of aid. When such countries as Australia, the Republic of China, South Africa, Belgium, and others, were mentioned to them and when they were asked to justify aid to these countries, they were unable to do so.

They were then questioned as to why both British and French protectorates, possessions, or dependencies were included, as they already are under both the French and British subsidized program. Here it was argued that we have a policy of nondiscrimination and make no distinction between and among countries to receive this largess. It was quickly pointed out to them that both the British and the French in their sugar programs do not practice such a policy of nondiscrimination. In the case of the French,

they buy sugar only from their domestic producers or foreign possessions. In the case of the British, 80 percent of their sugar is purchased from their own possessions at a premium price, but the remaining 20 percent is purchased on the world market at world prices which, of course, are below their subsidized prices.

At one point, it was argued that balance-of-payments considerations played a part in determining which country was on the list. It was shortly pointed out to the administration spokesmen, especially in the case of French possessions, the dollar exchanges they receive will go to the French treasury and, under the present policies of General de Gaulle, will then be used as claims on the American dollar which, in turn, will harm—not help—our balance of payments.

In the case of South Africa, such an argument is absurd for they are the largest gold producing nation in the world and do not need further increases in their balance of payments at our expense.

With respect to the administration argument that the highly subsidized price is helpful to these countries economically, it was pointed out that, in most countries, the payments go to a relatively small number of sugar producers in these countries and that it is only fortuitous if such payments end up in the hands of the workers and consumers of these countries; that in many cases large sums have gone into Swiss banks; and that no conditions of any kind—namely, that the countries use the funds for schools or roads or needed public facilities, or agree to proceed with tax reforms or land reforms, or that they help in any way to support or defend interest of the United States or our common interests in defense and foreign policy—are imposed.

Finally, the administration supporters fell back on the argument that their quotas were based on the fact that the formula they produced gave additional credit to certain countries for helping to supply sugar to us in 1963 and 1964 when supplies were short, at some cost to them. But it was quickly determined by simple calculation that they had already recouped in 1965 for any profits foregone in 1963 and 1964. And that under the projected 5-year program of the House and administration bills and the bonuses which would be provided, each of these countries would recoup in the 5-year period many times any monetary loss they might conceivably have suffered in the 1963-64 period.

Mr. DOUGLAS. Mr. President, the Committee on Finance met so late yesterday that I do not have in tabular form the changes which the committee made.

I observe that the quota for Venezuela is down and the quota for Argentina is up; and that, on the whole, the quotas outside the Western Hemisphere have been somewhat reduced, and the quotas within the Western Hemisphere increased. I regard these as modest improvements.

To summarize, the quotas outside the Western Hemisphere have been reduced by 119,000 tons from the administration figure, but increased 28,000 tons from the House figure.

I ask unanimous consent that a tabulation which has just been handed to me by a member of the committee staff be printed at this point in the RECORD.

There being no objection, the tabulations were ordered to be printed in the RECORD, as follows:

Sugar quotas for foreign countries under H.R. 10496, H.R. 11135, and provisions under Senate committee's S. 2567 at sugar requirements level of 9,700,000 short tons, raw value (assuming in all those cases that domestic quotas have been increased by 580,000 to 6,390,000 tons), also reflects changes in S. 2567 from administration's recommendation

[Short tons, raw value]

	Adminis- tration's H.R. 10496	Agricul- ture Com- mittee's H.R. 11135	Senate com- mittee's S. 2567	Changes in S. 2567 from administration's recommendation	
				Increased	Decrease
A. For countries in the Western Hemisphere:					
Mexico.....	390,135	340,925	390,135	0	0
Dominican Republic.....	385,854	340,925	422,512	36,658	0
Peru.....	240,824	272,013	272,013	31,189	0
Brazil.....	221,558	340,925	272,013	50,455	0
British West Indies.....	122,017	150,397	122,017	0	0
Ecuador.....	49,770	50,267	49,770	0	0
Colombia.....	27,829	42,970	27,829	0	0
Costa Rica.....	34,786	42,159	34,786	0	0
Nicaragua.....	40,672	38,511	40,672	0	0
Guatemala.....	35,321	32,836	35,321	0	0
Venezuela.....	2,676	30,809	2,676	0	0
El Salvador.....	17,125	30,403	17,125	0	0
Haiti.....	18,731	28,782	18,731	0	0
Panama.....	14,449	25,134	14,449	0	0
Argentina.....	63,685	21,485	63,685	0	0
British Honduras.....	4,281	19,864	4,281	0	0
Bolivia.....	0	4,054	0	0	0
Honduras.....	0	4,054	0	0	0
Subtotal.....	1,669,713	1,816,513	1,788,015	118,302	0
B. For countries outside the Western Hemisphere:					
Australia.....	186,772	162,152	162,152	0	24,620
China, Republic of.....	67,431	67,293	67,431	0	0
France, French West Indies, Reunion ¹	50,841	42,970	42,970	0	7,871
India.....	96,865	64,861	64,861	0	32,004
South Africa.....	96,865	29,593	66,584	0	30,281
Fiji Islands.....	45,489	24,323	35,489	0	10,000
Thailand.....	0	19,864	0	0	0
Mauritius.....	14,985	14,188	14,985	0	0
Swaziland.....	9,098	6,081	6,081	0	3,017
Southern Rhodesia.....	9,098	6,081	6,081	0	3,017
Malagasy Republic.....	7,492	6,081	0	0	7,492
Ireland.....	2,141	0	2,141	0	0
Belgium.....	1,605	0	1,605	0	0
Turkey.....	1,605	0	1,605	0	0
Subtotal.....	590,287	443,487	471,985	0	118,302
Global quota (Cuban reserve withheld from net-importing countries and for non- performance, subtotal.....)	2,260,000	2,260,000	2,260,000	0	0
Republic of the Philippines.....	1,050,000	1,050,000	1,050,000	0	0
Total foreign, including Philippines.....	3,310,000	3,310,000	3,310,000	0	0

¹ Administration recommendations treat these as an entity and included in countries outside Western Hemisphere.

THE MOVING TARGET

Mr. DOUGLAS. Mr. President, the quota for countries within the Western Hemisphere has been increased above the administration figure but has been reduced below the recommendation of the Committee on Agriculture and Forestry. This is a minor improvement.

In general, countries within the Western Hemisphere are given, in the Senate bill, just short of 1,800,000 tons—to be precise, 1,788,015 tons. Countries outside the Western Hemisphere are given virtually 472,000 tons. I have for many years questioned the justification of these grants. It was interesting to observe the shifting defense which the administration made for them. First, it was implied by the Department of Agriculture that it was a form of aid.

Then I questioned the Department about Australia. Australia is a prosperous country, fortunately. The Department's reply was that Australia is an ally.

Then I questioned the Department about the Republic of China. We have discontinued aid to China.

Then I questioned the Department about South Africa, which is probably one of the worst countries in the world. I raised the question of Southern Rhodesia, which has been granted a quota of

6,100 tons. Highly important negotiations are now being conducted between the British Government and the Government of Southern Rhodesia. Southern Rhodesia, under the premiership of Ian Smith, has threatened to secede from the British Empire.

Mr. Wilson, in his very able and impressive appearance the other night, in a firm, though nonprovocative manner, implied that Great Britain would resist any declaration of independence by Southern Rhodesia with economic sanctions.

Ambassador Goldberg, representing the United States in the United Nations, was instrumental in having a resolution passed by a vote of 107 to 2, to put pressure upon Southern Rhodesia not to secede. The press dispatches from London stated that the American Government was in full support of the attitude of the British Government. I hope that is true. However, here we come with a bill at the same time that this is going on, by which we seek to give to Southern Rhodesia a quota of over 6,000 tons of sugar at a bonus price. This would be far from applying sanctions to Southern Rhodesia. We would be giving Southern Rhodesia a bonus. I fail to see the logic in that approach.

BRITISH AND FRENCH HAVE OWN PROGRAM

What shall we then say about the French and British possessions? We include the British West Indies. They would receive a very large quota—122,000 tons. Great Britain has a sugar program under which they buy sugar at approved world market prices from their colonies. They do not buy sugar at approved world prices from countries outside the British Empire, but only from those inside the British Empire.

However, we are asked to pay world prices to countries inside the British economic empire and to give them these bonuses which, as I have said, amount to \$72 a ton at present, which, on this assigned quota, would give a bonus of approximately \$8.5 million.

What about the French West Indies? The French West Indies—namely Martinique and Guadeloupe inside the French system—have been held up to us by my good friend, the junior Senator from Louisiana, as a model system, which pays its people more than we pay them. Here we come along and grant to them a quota of 43,000 tons of sugar at a bonus of \$72 a ton. That would amount to approximately \$3 million.

France gives no bonus to countries outside the French colonial empire. However, we, in our generosity, would extend this to them.

BALANCE-OF-PAYMENTS ARGUMENT FAILED

It may be said that the administration spokesmen say: "Yes, but we give these bonuses to improve our balance-of-payments position." On the face of it, that is somewhat ridiculous. We pay more than the market price, and thus worsen our balance-of-payments position.

This would be particularly objectionable in the case of France because we know what happens to the payments which are made to Martinique and Guadeloupe.

The French planters there take these payments and send them to Paris. They become claims of the French banks and of the Bank of France against America. The policy of General de Gaulle is very clearly to take every claim against the United States and ask for gold. He has drawn out from the United States, during these past 9 months, close to \$1 billion worth of gold.

The amount of the bonus payments which we would make would go into French hands and would increase the drain on our gold. Yet, the administration spokesmen have the nerve to say that their program is intended to help our balance of payments. Nothing could be more adverse to our balance of payments. This applies particularly to the payments made to the French colonies. Just as the payment to Rhodesia is a bonus for breaking up the British Empire, so is the bonus to Martinique and Guadeloupe a bonus to General de Gaulle with which he can make a further raid on the American dollar.

Even if we wanted to help South Africa—and I do not see any reason why we should—South Africa, as the largest gold producer in the world, has enough foreign exchange to take care of itself. I believe it is true that approximately

two-thirds or three-fourths of the world's annual production of gold comes from South Africa. South Africa does not need an artificial bonus on sugar.

My Republican friends, with some exceptions, for once seem to join with the administration. This is a bipartisan raid on the Treasury.

DOES PROGRAM REALLY HELP THE POOR?

It is said that this program is designed to help the poor people. If we were to examine the ownership of land in most of these countries, we would find that the ownership is highly concentrated. There may be some individual mitigations of this general rule. Costa Rica is a most democratic and enlightened Latin American country with wide distribution of land. Mexico has a land program, but many Mexican politicians have title to enormous amounts of land.

In the main the land in Latin America is held by a tightly concentrated group, and the bonus payments which go to them would go into its hands—indeed, do go into its hands—and would still further increase the inequality in the distribution of wealth and income.

In a large portion of the cases, that money is not invested in the countries which ostensibly receive it. The money is shipped to Paris and to Switzerland and is deposited in the accounts of those families.

The big landowners of Latin America have not been investing in their own countries. They have been sending their rent money abroad and getting themselves ready in case they are ousted from their native lands.

They do not make any concessions in return for the enormous bonuses which we are paying. They do not have to use the funds for schools, roads, or public facilities. They do not have to proceed with tax reforms or land reforms. They do not have to pledge that they will in any way support or defend the interests of the United States, or our common interests in defense of foreign policy. None of these conditions are imposed. It is a Christmas tree with substantial presents hung upon it.

PAST HELP ALREADY REPAID

The supporters of this bill fall back on the argument that their quotas are based on the fact that the formula which they have produced would give additional credit to certain countries for helping to supply sugar to us in 1963 and 1964 when supplies were short, at some cost to them. However, we can quickly determine by a simple calculation that they have already recouped in 1965 any profits which were foregone in 1963 and 1964.

Under the projected 1964 program of the House and the administration bills, which my good friend from Hawaii would try to reinstate, these countries would recoup, in the 5-year period, many times any monetary loss they may have suffered in the 1963-64 period.

WEAKNESS IN PROGRAM

Mr. President, I think I have said enough to indicate the grave weaknesses, indeed the scandalous wastes, contained

in the present sugar programs. But it may properly be asked, as Boss Tweed once said, "What are you going to do about it?"

I happen to believe that, as a minimum, which is all I shall suggest, that the 2¼ million tons which the United States buys abroad should be purchased at the average world price over the last 15 years, or at about 4.22 cents a pound. I grant that shipping costs and tariff are also proper costs of laying down sugar in our market. The difference between the average world price, on a 15-year moving average, and the highly subsidized American price, would be recouped by way of an import tax or import fee, and placed in the Treasury.

Since the present world price is probably deflated, I would accept a 15-year average instead of the current world price. That would include the high prices of the Korean war period, the post-Korean war period, and also 1963-64, and it would come out at approximately 4¼ cents a pound.

FORMULA PROVIDES FAIR PRICE

I do not pretend to know intimately every detail of the sugar industry in the Caribbean, but I have visited most of the Caribbean countries, have talked with people there, and have gone into the canefields; and I am not totally uninformed on the subject. Senators will find that a very large quantity of sugar can be produced for 4¼ cents a pound; and I again emphasize that at least the International Conference on Sugar which was held a few days ago had under discussion a price range between 4 cents and a little over 5 cents. It apparently did not consider a price of 6.85 cents a pound.

What I am saying is that the difference should be recouped for the U.S. Treasury. That would amount to, allowing for shipping, insurance, and tariffs, about 1½ cents a pound, or \$30 a ton, and on the 2¼ million tons taken in from abroad, if we apply the formula to all sugar from abroad, it would net slightly less than \$70 million a year. I am not one who can regard \$70 million a year as a mere bagatelle.

Ah, but the administration says, "These are poor countries; We must give them assistance, so we should pay the sugar planters this \$70 million a year in order to help the poor people."

TRICKLE-DOWN THEORY

That is adopting the trickle-down theory with a vengeance. Enrich the small group of big planters, so it is said, and the money will trickle down to the common peons, the campesinos in the field.

I do not think much of the trickle-down theory as applied to the United States. The members of my party have historically, with few exceptions, contended against it in this country. But now it is revived for foreign countries. For most of the Latin American countries, where there exists almost a state of feudalism, it certainly would not apply. Unlike in Hawaii, there is very little power of organization of the plan-

tation workers in those countries. The government, in all too many cases, is an agency of the planters, the military being the political expression of that group, and the money being largely sent out of the country or spent in luxury on the Riviera, or on yachts in the Mediterranean and on the dolce, bon vivante life, rather than on the life of production.

PROCEEDS OF FEE FOR ALLIANCE

That is the program now. Therefore, I am proposing, since I am concerned about the people of Latin America, that the proceeds be used for the Alliance for Progress, so that the premium payments will in fact go to the people in the Alliance for Progress countries, not to the wealthy overlords.

I am proposing that we return to the original concept of John F. Kennedy, that the strength of American economic aid should go to the forgotten people of Latin America, the people who bear the burdens of toil and suffer under abject poverty, and whom President Kennedy wanted to help.

Apparently the Department of Agriculture and the Department of State last December held to that point of view. But a deep change has come over them. Again, I shall not indulge in personalities. I regard it as lamentable that the present policy of the Department of State—I hope it is not also the policy of the administration—seems to be one which favors the possessing landowners and the military powers, who have established dictatorships in all too many countries in Latin America in the last 2 or 3 years, and deals with those who have rifles and machineguns, and have military power, and those who have economic power, and has largely forgotten or pushed into the background the need of the great masses of the people in Latin America.

I hope that we shall return to the original vision of John F. Kennedy. I plead for that. The amendment which I intend to offer provides that the amounts thus collected in import fees shall be earmarked for the Alliance for Progress, to be used for the benefit of the people, for education, for the building of roads, for the establishment of building and loan associations, and for productive enterprises, and not be siphoned off to Switzerland and to Paris.

As I have said, unfortunately this would not reduce prices to the American consumer. It is hard to do that when the foreign and domestic programs are interwoven. However, it would provide funds for the Alliance for Progress, which the consumer as a taxpayer would otherwise have to pay. I would like to make this, in part, a net addition to the other funds.

My amendment would assure that the funds went to the people and not to the big landowners and/or into Swiss banks.

It would help to do away with the unseemly lobbying and pressures which have brought this program into disrepute. These pressures and high fees for lobbyists naturally exist when such huge subsidies and windfalls are at stake.

HELP TO FREE CUBA

In addition the present foreign quotas are basically the old Cuban quota, redistributed among the producers. Countries which receive a quota at the present high prices are naturally not anxious to lose the quota. To this degree, there is less interest than there would otherwise be on the part of those who receive quotas for Cuba to become free again and to regain her old quota at the expense of those who now have a slice of it.

Let me make that clear. When Cuba comes back into the family of nations as a free country, having overthrown Castro—which I hope will be soon and decisive—we cannot turn Cuba loose. We shall have to restore her old quota, or a very large portion of it. That is the minimum we can do. But, since these quotas are already being redistributed to other countries who are receiving huge bonuses because of it, it will be to their economic interest not to have Cuba come back as a free country but to have Castro stay there; because, as long as Castro stays, the countries will get their quotas and their bonuses. Thus, I believe that this proposal would be a mighty instrument of foreign policy as well.

OBLIGATION TO LATIN AMERICA

I believe, with the recent developments in Santo Domingo, we have now probably adopted a policy in which we will not permit, by a variety of means, communism to dominate a country, at least in the Caribbean.

I believe that history will have to record whether the decision in April was a wise one. I have never been able to say that it was not a wise decision. It may well have been. I believe it will be for the future to determine. However, we now seem to be committed to prevent communism from getting a foothold at least in the Caribbean and possibly throughout Latin America.

I say this as an old anti-imperialist. The first dollar I ever earned as a boy I contributed to the American Anti-Imperialist League which played a leading part in getting our marines withdrawn from Haiti during the late twenties and early thirties. But at the present time, events have grown to international stature. In the interests of national security we must prevent communism from getting established in the Caribbean.

It can be argued, therefore, that if this is our policy, we should give economic advantages to them as well. I believe that this is a fairly decisive factor.

Therefore, I have an amendment which would allow the paying of the American price for sugar drawn from the Caribbean with the exception of the French and British possessions, and in Haiti, and that we should not give a bonus to countries outside the Western Hemisphere to which we owe no obligation whatsoever, so far as I know, unless in the case of certain small countries, where we have tracking stations, there may be some implicit, under-the-table agreements that if they let us put up tracking stations on their soil, we will give them something economic in return.

We have certainly no special obligation under the sugar program to those British and French possessions in the Caribbean which are already under the British or French programs. This is especially true since the British and French take no sugar at their highly subsidized price from any but British or French possessions.

We certainly have no obligation to a country such as Haiti with its cruel dictatorship and which could hardly qualify under any of the loose arguments put forward by the State and Agriculture Departments' witnesses.

I believe that we should try our best to do what is best in this program and to impose an import fee on all of the foreign producers. It seems that that is impossible and it can be argued that we have a special relationship to Latin America, but we should at least impose such a fee on the sugar we receive outside the Western Hemisphere and from the British and French possessions inside the Western Hemisphere and Haiti.

If the Senate or Congress is unwilling to do any of these things, we believe Congress should postpone the foreign aspects of the bill until such time as the Senate committee and the Senate as a whole have the time to make a determination on this complicated subject in a rational way, but of course permitting the domestic part of the program to go into effect.

I am happy to say that I am joined in the general sentiments I have expressed in the minority report by the distinguished Senator from Tennessee [Mr. GORE], and possibly by other members of the committee. The Senator from Tennessee, unfortunately, cannot be in the Chamber today, but he signed the minority views with me, and we are together both in our criticisms and in our recommendations.

Mr. President, I am ready to yield the floor and to proceed to the question of the amendments, but before they are considered I should like to suggest the absence of a quorum.

Mr. MORTON. Mr. President, will the Senator from Illinois yield first?

Mr. DOUGLAS. I am glad to yield to the Senator from Kentucky.

Mr. MORTON. I agree with much that the Senator from Illinois has said. He has certainly studied the problem, as have many of us. I would not go as far as the Senator goes in believing that the program should perhaps be done away with.

Mr. DOUGLAS. I am not proposing that.

Mr. MORTON. I realize that the Senator is not. I share his current concern for the consumer, but in other areas the consumer is concerned, especially in wheat, corn, rice, tobacco, cotton, and so on.

Mr. DOUGLAS. I hope the Senator will forgive me for interjecting, but it is extraordinary that the American Farm Bureau, which criticizes the wheat and corn program, goes for the sugar program in a big way. It seems to me that sugar has a great attractive power, unlike the humble grains of corn and wheat.

Mr. MORTON. Kentucky does not

have any sugarbeet or sugarcane refineries so I can perhaps be more objective. I certainly wish to support the point which the Senator so eloquently made, that we have an obligation in this hemisphere. The Alliance for Progress was launched and we all supported it, or at least most of us did. The program was sent to us. It was further implemented by the Agriculture and Forestry Committee, and the House takes it away from this hemisphere by every historic formula it can devise. We had a formula proposed by the distinguished Senator from Minnesota [Mr. McCARTHY], which was described in the committee. I also had a proposal which was printed and introduced. I did not press it, because after the proposal of the Senator from Minnesota [Mr. McCARTHY] was voted down, I saw no reason to further delay the committee. Both proposals would have done more for this hemisphere without any concept as to whether one country had a dictatorship or another had a democracy; but at least it kept it in this hemisphere. I commend the Senator for making that point so eloquently and so well.

As to the importance of whatever sugar program we are going to have offshore, let us see to it that the hemisphere gets its historic share, and even more, because this is our first responsibility.

Mr. DOUGLAS. This is the second amendment which I intended to propose. I shall probably not propose the first one if we can get considerable support for the second one, namely, to pay a premium price on all sugar imported from the Western Hemisphere to us, with the exception of the British and French possessions and Haiti, and then to pay at the world market price for sugar imported from outside the Western Hemisphere, and levy an import fee, and use the fee of about \$20 million for the Alliance for Progress.

Mr. MORTON. If the Senator will yield, I think that amendment would have a better chance than the first one.

Mr. DOUGLAS. I think it would. Then, purely for the Record, I may have the first one printed, but first propose the second one.

Mr. MORTON. One problem with respect to Haiti is that the people in that country are probably at the bottom of the economic ladder.

Mr. DOUGLAS. If I can get the Senator's support, I may be willing to strike out Haiti.

Mr. MORTON. I shall discuss that with the Senator in the cloakroom.

Let us remember that the British West Indies and the British possessions in this hemisphere have a preferential market in London. I believe that the French sugar in this hemisphere is produced in Guadeloupe and Martinique. I think the sugar there has a degree of preference. If not, Charles de Gaulle can give it to them.

Mr. DOUGLAS. That is correct. My question is why we should give them preference in our own market when the French do not extend a similar preference to countries outside the French colonies.

Mr. FONG. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield for a question.

Mr. FONG. I regret that I was not present in the Chamber when the Senator from Illinois referred to what Hawaii receives under the Compliance Act. As I understand, the Senator from Illinois believes the payments under the Compliance Act to producers in Hawaii are too large. Is that correct?

Mr. DOUGLAS. I merely mentioned that they exist. Hawaii can produce sugar, even with the high wages which are paid there, more cheaply than can other American producers.

Mr. FONG. With respect to the question of what is paid to Hawaiian sugar workers, we pay the highest wages in the sugar-producing countries. With fringe benefits, the wages exceed \$25 a day. That is higher than is paid to agricultural workers elsewhere.

Mr. DOUGLAS. That may be true since the Agricultural Act was passed with reference to Hawaii. I do not think it was true the big five families ran Hawaii.

SAINT AUGUSTINE QUADRICENTENNIAL COMMISSION

Mr. SMATHERS. Mr. President, will the Senator yield to me for 30 seconds?

Mr. FONG. I am happy to yield, provided I do not lose the floor.

Mr. DOUGLAS. Mr. President, I think technically I still have the floor. I yielded to the Senator from Hawaii for a question. I am also glad to yield to the Senator from Florida.

Mr. SMATHERS. I thank the Senator.

Mr. President, I ask the Chair to lay before the Senate the amendments of the House of Representatives to S. 516.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives the bill (S. 516) to amend the joint resolution entitled "Joint resolution to establish the Saint Augustine Quadricentennial Commission, and for other purposes," approved August 14, 1962 (76 Stat. 386), to provide that eight members of such Commission shall be appointed by the President, to provide that such Commission shall not terminate prior to December 31, 1966, and to authorize appropriations for carrying out the provisions of such joint resolution, which were, on page 2, strike out lines 6 through 9, inclusive, and insert:

SEC. 2. Section 4(b) of such joint resolution is amended by inserting, immediately after "Congress" in the last sentence thereof, the following: "except that the Commission may continue in existence until December 31, 1966."

On page 2, strike out lines 10 through 15, inclusive.

And to amend the title so as to read: "An Act to amend the joint resolution entitled 'Joint resolution to establish the Saint Augustine Quadricentennial Commission, and for other purposes', approved August 14, 1962 (76 Stat. 386), to provide that eight members of such Commission shall be appointed by the President, and that such Commission

may continue in existence until December 31, 1966."

Mr. SMATHERS. Mr. President, I move that the Senator concur in the amendments of the House.

The motion was agreed to.

SUGAR ACT AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. FONG. The Senator from Illinois said that he merely mentioned the very large compliance payments paid to the sugar producers in Hawaii. But to say that he merely mentioned them could leave the wrong impression in the minds of certain people. Prior to the Jones-Costigan Act there was no tax on the processor of raw sugar. With the passage of the Jones-Costigan Act, the Federal Government imposed a tax on processors of sugar. This money was placed in a special fund to be paid to the producers and processors if they complied with certain restrictions in the matter of labor and marketing and other factors.

Mr. DOUGLAS. That is true, but Senator Costigan would turn over in his grave if he knew what happened to the law he sponsored 30 years ago.

Mr. FONG. I do not agree with the remark that Senator Costigan would turn over in his grave. I think he did a very fine piece of work. It was through his efforts that the money was collected, which was placed in a special fund. From the fund, the money was paid over to producers if they complied with certain restrictions contained in the act. However, that law was declared unconstitutional. So the money was then paid into the Treasury, and the payments could be made from the General Treasury funds to the producers, to get away from the unconstitutionality of the procedure as ruled by the Supreme Court.

The money which has been collected under the processing tax is more than the amount which has been paid back to the sugar producers.

Mr. DOUGLAS. Not very much more—\$95,791,000 was collected, and \$90,519,000 was distributed. So there was only a difference of \$5 million. I quote from the bulletin prepared by the staff of the Finance Committee on the Sugar Act, page 23. But the consumer pays the tax.

Mr. FONG. Since 1934 the Federal Government has collected over \$2 billion in taxes and is ahead to the tune of over half a billion dollars.

Mr. DOUGLAS. I believe that is true.

Mr. FONG. So far as producers in Hawaii are concerned, last year the Federal Government collected from producers under the processing tax over \$10 million and returned to the producers in Hawaii \$8 million. So the Federal Government is ahead \$2 million in last year's collections.

Mr. DOUGLAS. The Senator's colleague [Mr. INOUYE] introduced the figures earlier. However, it is not, ultimately, the producers who pay these taxes; it is the consumers who pay the taxes, because the costs are passed on to

the cost of the refined sugar and the tax is paid by the consumers. So it is not correct to say that the producers pay the tax. It is the consumers who pay the tax.

Mr. FONG. Although the distinguished Senator is correct when he says that the consumers pay the tax, the whole sugar concept is a concept in which we are trying to balance the needs of producers and consumers and also meet our international obligations. Considering all the facets of the problem, we have produced a sugar bill which we think will take care of our international commitments and take care of the fact that we must produce sugar as a strategic commodity for our Nation and also take care that we do not gouge our consumers.

At present, there is a Federal excise tax of one-half cent per pound on raw sugar processed in the United States. In 1964, the U.S. Treasury collected \$10,837,210 on processing of cane sugar produced just by Hawaii sugar companies. The tax collected by the Federal Government on sugar produced each year by each company in Hawaii is more than the same company receives in compliance payments.

The purpose of the tax is to provide funds to pay U.S. sugar producers or processors for maintaining good wages and working conditions, promoting orderly development of the sugar industry and stabilizing the price of sugar for consumers.

Federal law permits conditional compliance payments to producers, or to processors who are also producers, when they first, comply with sugar production and marketing restrictions; second, pay at least the official minimum wages to workers; third, do not employ child labor; and fourth, in the case of processors, pay at least the official minimum prices for sugarbeets or sugarcane.

Compliance payments received by 25 of the 26 Hawaii sugar producers in 1964 totaled \$8,679,132. Figures are not available for one company.

Thus, in 1964 the U.S. Treasury collected on Hawaii sugar processed some \$2 million more than Hawaii sugar companies received in compliance payments.

In fact, since 1937, the Federal Government has collected more in processing taxes on Hawaii sugar than has been paid to Hawaii sugar producers. So it is clear compliance payments do not represent a net drain on the U.S. Treasury.

On the other hand, compliance payments are crucial to the continuance of the Hawaii sugar industry. In 1964, compliance payments to Hawaii companies ranged from \$51,000 to \$1,074,000, with the majority of the companies receiving more than \$200,000.

While these payments are large, the cost to the U.S. Treasury per ton in Hawaii is substantially less than any other domestic producing area.

Mr. DOUGLAS. Mr. President, will the Senator yield for a parliamentary inquiry?

Mr. FONG. I yield.

Mr. DOUGLAS. The parliamentary inquiry, Mr. President, is who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. I am glad to yield to the Senator from Hawaii, but I do not want to have his squatter's rights turned into proprietary rights.

Mr. FONG. I still recognize that the distinguished Senator from Illinois has the floor.

I ask that the Senator from Illinois yield to me 5 additional minutes.

Mr. DOUGLAS. I am glad to yield with the understanding that this is not a proprietary right and exists by sufferance.

Mr. MORTON. Mr. President, I ask unanimous consent that the Senator from Illinois be relieved from the floor and that the Senator from Hawaii be recognized in his own right.

Mr. DOUGLAS. I am sorry. I cannot.

Mr. MORTON. I thought the Senator wanted to go to lunch.

Mr. DOUGLAS. That is not the problem.

Mr. FONG. I thank the Senator from Illinois for yielding to me 5 additional minutes.

Mr. DOUGLAS. Yes, with the understanding that I have the floor.

Mr. FONG. Mr. President, payments in 1964 to Hawaii producers per ton were \$8.96, whereas compliance payments to sugar producers in other areas of the United States ranged from \$12.93 a ton to \$16.20 a ton.

It can be seen that the producers in Hawaii receive far less than the producers in other States of the Union. They are only paid \$8.96 a ton and I believe almost all of our companies in the State of Hawaii only receive \$8.96 a ton.

Even with these compliance payments, the return on invested capital in Hawaii's sugar industry is extremely nominal. In a substantial number of years, the majority of Hawaii sugar companies have wound up in the red despite receiving compliance payments.

I would also like to point out that production of cane sugar in Hawaii is vastly different from production of other commodities, which can be grown by thousands of small farmers on small acreage.

Hawaii sugar can be efficiently produced only by corporate entities. They cannot operate on a fragmented basis. Thousands of acres are needed for efficient and profitable operations. Also, sugarcane requires 22 to 24 months before harvest; other crops only a single growing season.

This is why Hawaii's sugar yield of 1,110,000 tons annually is produced by only 26 companies in operations integrating production and processing.

The sugar industry in Hawaii provides year-round employment for some 12,500 workers. The payroll totals about \$65,500,000. Hawaii's sugar workers are the highest paid in the world—at least \$25 a day.

These workers would face unemployment if Hawaii's sugar industry collapses, as it would if these compliance

payments were eliminated. Where would these workers find jobs?

Hawaii's sugar industry, although owned by only 26 companies, is owned by about 12,300 individual stockholders, of whom almost two-thirds live in Hawaii.

Hawaii's sugar industry is a world leader in sugar technology and mechanization. It has served America well in war and in peace to help supply our Nation with sugar, so basic to human needs.

I have attempted to show that the Federal excise taxes paid on processed sugar more than pay for the compliance payments going to domestic producers who pay good wages.

The excise tax and compliance payments operate in tandem. If the compliance payments were abolished Hawaii's sugar industry would be ruined.

The compliance payments paid for Hawaiian sugar in effect represent money taken away from Hawaiian sugar. It is a self-supporting program. Excise taxes collected, as I have stated, more than pay for the compliance payments. If the compliance payments and the excise tax are abolished, our State will come out far ahead. In fact, Hawaii would be almost \$2 million ahead if the excise tax were abolished and the compliance payment were abolished.

The compliance payment is necessary to the welfare of the thousands of sugar workers in Hawaii and to the welfare of the 12,300 stockholders who own the 26 corporate entities in Hawaii.

So far as Hawaii is concerned, production of sugar is quite a unique agricultural enterprise, different from the usual enterprise conducted by the small farmer.

We have the world's largest entities which are efficient enough to pay the plantation field worker \$25 a day. The compliance payment made to our sugar producer is a fair way of compensating the producers of sugar when we tax them one-half cent per pound in the processing of raw sugar.

I thank the distinguished Senator from Illinois for yielding to me.

Mr. DOUGLAS. I thank the Senator from Hawaii.

Since the matter was not really before the body, I am not proposing at present to eliminate the domestic quotas, the production payments, the processing tax, or any feature connected with the domestic program.

I was interested in ventilating some of the facts so that the American public might have a better view of the actual situation and at some time in the future be better able to make a long-term judgment.

I shall try to let what I said sink in for a time.

Mr. MORTON. Mr. President, without losing his right to the floor, will the distinguished Senator from Illinois yield to me for 6 or 8 minutes?

Mr. DOUGLAS. I yield, with the understanding that I still retain my right to the floor.

Mr. MORTON. Mr. President, little more than 4 years have passed since this

administration created the much-vaunted Alliance for Progress. Throughout that period, in its public statements the administration has treated the Alliance nations as favorite children. But more often than not, in its public actions the administration has treated them as orphans.

The Alliance for Progress is rapidly becoming a string of broken promises.

Recently, the administration established a new record for breaking the promises it has made to our Alliance partners by breaking one within 24 hours.

On August 17, 1965, the President, speaking on the fourth anniversary of the establishment of the Alliance, promised that the United States would "maintain a regularly expanding market for sugar produced by Latin America." The following day he transmitted to Congress the proposed 1965 Sugar Act which would do just the opposite.

It would reduce the Alliance for Progress nations' share of the foreign sugar quota from 77.8 percent in the 1962 Act to 63.8 percent. This means a reduction of over 600,000 tons per year in sugar exports by Alliance nations to the United States.

Even if this reduction represented a net savings to the United States, one would wonder whether the administration was justified in breaking its promise. But the reduction does not represent a savings. Far from it. The very same bill proposes to reallocate much of the sugar trade the Alliance nations would lose to protectorates of France, which at this very moment is trying to aggravate our balance-of-payments problem and scarcely needs to be handed even more dollars, or to British Commonwealth nations which enjoy preferential treatment in sugar exports to Britain and cannot pretend that they need the trade bonus offered by the administration.

Whatever may be said about the administration's aid program, one thing is clear beyond argument. When the United States has an opportunity, without cost to itself, to provide much needed trade opportunities to the underdeveloped countries of Latin America, it should not take these opportunities away from Latin America and give them to countries that are under the wing of Britain or France. To do so makes a mockery of the Alliance.

The administration's bill is the result of the administration using a computer, rather than its head or its heart, to allocate foreign sugar quotas. The quotas are the product of a proposal by the Department of Agriculture—to which the President appears to have assigned major foreign policy responsibilities that might just as rationally be assigned to the Post Office Department—that foreign sugar allocations be based on 1963-64 sugar shipments to the United States.

These were years of utter chaos in our sugar program, aptly described by the House Committee on Agriculture as the "two most unusual and abnormal years in the history of the U.S. sugar program." While I am not expert in the use of computers, it seems reasonable to pre-

sume that if you feed abnormal data into a computer you obtain an abnormal formula. That, to put it mildly, describes the administration's formula.

Furthermore, the concept of the administration's bill that nations should be rewarded or punished for their willingness or lack of willingness to export sugar to the United States in 1964, when our price was lower than the world price, ignores the fact that these rewards and punishments have already been meted out. Sugar quotas in 1965 have been based on 1964 performance. South Africa, for example, has made twice as much on sugar exports to the United States this year as it lost in 1964. Other countries have earned similarly disproportionate rewards.

And the Latin American nations which the administration would punish have already been punished. Many of these nations have had substantially reduced quotas in 1965 and are faced with rising unemployment in their sugar industries. We have a stake in helping these countries hold the line against communism and one wonders whether the Department of Agriculture, by taking action designed to increase unemployment in Latin America and thus strengthening the hands of the Communists, is punishing just Latin America or the United States as well.

Indeed, one wonders whether the various departments ever consult each other in this administration. Not long ago Secretary of State Rusk observed that the 1964 world sugar crisis played a major part in the Dominican uprising. Yet the Department of Agriculture proposes to perpetuate that crisis and spread it through Latin America.

The sugar bill passed by the House would allocate to the Alliance for Progress nations 100,000 more tons of sugar annually than would the administration's bill. It is therefore an improvement over the administration's bill but one which lacks any consistent logic. In several instances, quotas are apparently allocated by whim rather than on the basis of any consistent rationale.

I propose an amendment to the House bill that gives the Congress the opportunity to make good on the administration's August 17, 1965, promise. I propose the amendment with the firm belief that we indeed should make good on that promise. And I submit that the allocation of foreign quotas in my amendment has logic to commend it as the House bill has not.

My amendment would not change the domestic industry quotas proposed by the administration and included in the House bill. It also leaves unchanged the Philippine quota established in the House bill. For other foreign quotas it substitutes a formula based on the 1962 Sugar Act.

The quotas established in the 1962 act reflected historic sugar shipments. They were, by and large, fair quotas. To the extent there is any discernible thread in the history of sugar shipments since 1962, it is a thread spun by the 1962 act. In short, as the House Committee on Agriculture suggested, 1962 sugar quotas

provide the only reasonable basis for assigning quotas in 1965.

With a few exceptions my amendment is based on the assignment to each country of its 1962 quota percentage. In addition, the amendment adopts the House proposal that the Cuban quota be reduced from 57.77 percent to 44.25 percent. That change makes sense for it would reduce somewhat the disparity between the quota available for Cuba when it again becomes a friendly nation and the quotas for the rest of Latin America. But where the House bill distributes these 13 percentage points haphazardly, my amendment would reallocate them to the Alliance for Progress nations based solely on their relative quotas in the 1962 act. There is no reason why the 13 points shared from Cuba's quota should be given to nations outside the Western Hemisphere, particularly since most of the non-Western Hemisphere countries listed in the House bill have preferential markets other than the United States. Nor is there any reason to allocate any of the 13 Cuban points to non-Alliance countries in the Western Hemisphere, every one of which can sell sugar to Britain or France at a price virtually equal to the U.S. price. And there is every reason why the 13 Cuban points should be given to our Alliance partners as my amendment would do. In sum, my amendment would allocate over 300,000 more tons of sugar annually to the Alliance nations than would the administration's bill and 175,000 more tons than the House bill.

The only exceptions to reliance on the 1962 act in the amendment I propose are the allocation of quotas to countries which were not in the 1962 act but have developed a record of sugar exports to the United States since that date and were included in the administration's bill: Venezuela, Argentina, Mauritius, Swaziland, Southern Rhodesia, and Malagasy. For the first two countries I have proposed the quota percentages contained in the administration's bill; for the last four I have used the percentages in the House bill which are practically the same as those in the administration's bill. Furthermore, in recognition of the increased importance of Bolivia and Honduras in Latin America, and of Thailand in southeast Asia, my amendment would allocate to these countries the yearly quotas allocated to them under the House bill, even though these countries have not previously exported sugar to the United States.

This country has a deep and permanent stake in the Alliance for Progress. Many of the Alliance nations have developed democratic governments and free enterprise economies in the face of stiff and growing Communist opposition.

We have an opportunity in the 1965 Sugar Act to assist those countries. Our alternative is to assist those who do not need our help. Furthermore, in this act we can render assistance to the Alliance nations without additional cost to ourselves. I fear that if we do not seize upon this opportunity we will pay dearly in the years ahead.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. MORTON. I yield.

Mr. LONG of Louisiana. The Senator has made a fine statement. While I, of course, support the bill that the committee reported, I believe the Senator recognizes that, for the most part, both the Senate and House committees, insofar as they amended the bill, tend in the direction that the Senator had in mind, toward providing more adequately for the economy of Latin America, to which countries we are committed under the Alliance for Progress.

Mr. MORTON. I agree that the House, as I pointed out, made it better by more than 100,000 tons. We, in our actions in the committee this morning, yesterday, and last week, went beyond that.

We have approached what I am seeking to do here. I do not know that I shall press this amendment. I certainly shall not press it until the Senator from Illinois, who has the floor, has his amendments decided one way or the other.

I felt that I wanted to make this point because it seems utterly ridiculous to me to go beyond the hemisphere merely because the Cuban situation upset the sugar picture when Castro took over Cuba. It is utterly ridiculous to grant these quotas on a worldwide basis. If we once again have a friendly Cuba, the chickens will really come home to roost when we have to give them a quota of more than 1 million tons. Where would we obtain such a quota? We would have to take it from other countries.

Why should we spread our sugar quotas all over the world when we can confine them to this hemisphere? It would be easier to talk with our friends in this hemisphere later and say to them: "You know that we have to take care of one of your neighbors." It would be easier to do that than to take the quota away from a country out in the Indian Ocean.

Mr. LONG of Louisiana. Mr. President, I hold in my hand a very attractive document printed in white with gold letters. It contains beautiful pictures of the President of the United States, the Secretary of State, the Under Secretary of State, and the chairman of the Senate Committee on Foreign Relations, as well as individual Latin American ambassadors.

The book contains a group picture of these people and it also contains pictures of them holding meetings.

This book contains the remarks of the President made at this meeting which commemorated the fourth anniversary of the Alliance for Progress. This is the statement of President Lyndon Johnson. He urged that the so-called import fee arrangement be eliminated because it was thought that it would be very helpful to the economy of their countries.

This is what the President said, and all of these people were present. The pictures of these people were printed in color so that they could see themselves.

President Lyndon Johnson said, under a heading, "Healthy Commodity Price Structure":

First, we must step up our efforts to prevent disastrous changes in the prices of those basic commodities which are the lifeblood of so many of our economies. We will continue—as we did this week in London—to strengthen the operation of the coffee agree-

ment and to search for ways to stabilize the price of cocoa.

We will try to maintain a regularly expanding market for the sugar that is produced in Latin America. And, consistent with the CIAP recommendations, I will propose this afternoon that Congress eliminate the special import fee on sugar so that the full price will go to the Latin American producers.

The Senator from Kentucky is a responsible legislator who, at one time, served in a responsible post in the State Department under a previous administration. Would it not make us look like a bunch of geese before the world for our President to have his picture taken with these people when he is telling them what we will do, and then we try to tell them that we will make them provide sugar at a certain price?

Mr. MORTON. That question should be addressed to the Senator from Illinois. I am not arguing that point. My amendment would have nothing to do with the price or duties.

I stated that the President said on one day that he would do a certain thing and the next day he sent a message to Congress to cut the Latin American sugar quota. That is my point.

If the Senator wants to quarrel on this issue, he had better do that on his own side of the aisle.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. Who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. MORTON. I yield.

Mr. LONG of Louisiana. If we say we are going to do something, we ought to do it.

Mr. MORTON. The Senator is correct.

Mr. LONG of Louisiana. If we tell people that we will do a certain thing, we had better keep our word.

Mr. MORTON. The Senator is correct. I am all for us keeping our word and giving these countries the quotas provided under the 1962 act. That was also implied in the book to which the Senator referred.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. Mr. President, in reply to my good friend the Senator from Louisiana, I am not seriously opposing altering the amount of sugar which we get from Latin America or the price which we will pay for this amount of sugar or the proposal that they receive the American price. However, I do propose that on sugar from outside Latin America, we levy an import fee, which would be used for the Alliance for Progress and would therefore give more resources to Latin America than is now proposed. I do not want this to be portrayed as being a means of taking money

away from the poor Latin American people. I have proposed that we give them more.

Mr. LONG of Louisiana. Mr. President, is the Senator abandoning his proposal to impose a fee, which he has heretofore made?

Mr. DOUGLAS. I have abandoned that.

Mr. LONG of Louisiana. Mr. President, I rejoice that the Senator has come to see the light.

Mr. DOUGLAS. I have not come to see the light, because the light was always on my side. It was behind my shoulder. I recognize that we cannot do this because the President has committed us. I therefore have made this proposal.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MORTON. While the Senator was absent from the Chamber, I had a colloquy with the Senator, and he has now offered his amendment as—to use an expression from the French quarters of New Orleans—lagniappe to get my vote.

Mr. DOUGLAS. Mr. President, it was a judgment as to what the parliamentary possibilities were. I am ready to strike out Haiti and let Haiti come in.

The Senator from Oregon wishes to speak, and I shall yield the floor, but I hope to speak later in the afternoon.

Mr. MORSE. Mr. President, I ask unanimous consent that I may yield without losing my right to the floor to the Senator from North Dakota.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. YOUNG of North Dakota. I thank the Senator from Oregon very much. I should like to ask a few questions of either the distinguished Senator from Louisiana, who is in charge of the bill, or the ranking minority member. My questions have to do with allotments for new growers.

Is there anything in the act providing allotments for new growers? Or does the act establish any new areas?

Mr. BENNETT. If I may reply to the Senator's question, it does not establish any new areas, but it does provide that the Secretary will have the right—and I read from page 33 of the report:

(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage, established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage so released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant

processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar raw value.

In other words, the Secretary may acquire a reserve from people who are not in a position to use their full allotments, and make that reserve available to any single plant processor of sugarbeets, which I assume to be necessarily a new processor, or a processor who has recently started operating, but who does not have the required acreage or the required tonnage necessary to make his operation profitable. The Secretary has available up to 25,000 short tons for such allocations. I do not think that would permit him to authorize acreage that is new as of now, but it would permit him to make available acreage that was authorized earlier, which has not been in sufficient supply to support a new plant that may have been set into operation under the conditions that existed during the last 2 years, when there were no allotments or restrictions.

Mr. YOUNG of North Dakota. As the Senator knows from visiting the Red River Valley in North Dakota, there is a great desire there to establish new refineries and new acreage.

Mr. BENNETT. That is correct.

Mr. YOUNG of North Dakota. I understand there were amendments of that kind offered in the committee, which were rejected.

Mr. BENNETT. The reason they could not be accepted on the basis of completely new acreage—at least that is the way it appears to me—is that we are facing a situation under which, as a result of the fact that we had no acreage restrictions and for a brief period of time no distribution limitations under the pressure of the higher world price which existed for awhile, people rushed in, some new refineries were started, new processing plants started, and they have piled up an inventory of half-a-million tons which they cannot now dispose of. It was necessary to write the bill in such a way that the existing half-million tons could be made available for marketing and distribution; otherwise, we would have put a tremendous burden on the existing processing plants and the existing producers.

Mr. YOUNG of North Dakota. That is very helpful. May I ask one more question: If there should develop a worldwide shortage, with high prices, could there then be extra acres allotted, under the present act, or would there have to be a new law?

Mr. BENNETT. The Secretary still has the right to remove all acreage allotments and all marketing quotas, and it is my impression that, if there were another situation such as we faced 2 years ago, when the world market price was very high because of crop failures in foreign countries, the Secretary's first move would probably be to take off existing acreage restrictions. When those go off, people who are interested can build their new plants and increase their production.

The risk in that, of course, is as we see it in our present situation: They do come in, they produce more than the market

can absorb, and then there has to be some kind of a holdback until the market can be leveled out again.

Mr. YOUNG of North Dakota. If there were a world situation where we had a short supply and high prices, again of course, there might be new legislation, too.

Mr. BENNETT. That is always possible.

Mr. YOUNG of North Dakota. I thank my friend from Utah very much for his helpful information.

I thank the Senator from Oregon for having yielded to me.

Mr. President, I ask unanimous consent that a statement I made to the committee, which appears in the hearings at page 169, be printed in the RECORD at this point as a part of my remarks.

I also ask unanimous consent to have printed in the RECORD a telegram I received today from the domestic sugar-beet growers.

There being no objection, the statement and telegram were ordered to be printed in the RECORD, as follows:

STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator YOUNG. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you in support of legislation extending the Sugar Act.

I am most pleased that the Senate now has before it a bill which would authorize a 5-year extension of the Sugar Act. The task of rewriting and extending sugar legislation would have been far less difficult if the Department of Agriculture had submitted its proposals much earlier to the House Agriculture Committee where this legislation must originate. I fully appreciate the problem which this committee faces in considering sugar legislation in the closing days of this session. This is a highly complex subject and one over which there certainly are many divergent views.

I believe it goes without saying that the Sugar Act has been one of the most successful of our farm programs. Over the years it has provided domestic producers of sugar, both cane and beet, with a fair price for their sugar, and it has also assured the consumers of adequate supplies at a very reasonable price. In addition, the program has resulted in a net profit to the Federal Government through excise taxes and tariff duties.

I am very pleased that the pending legislation does provide for an increase in the basic marketing quota for domestic cane and beet sugar producers. This will enable these producers to dispose of the inventories accumulated in excess of their marketing quotas under the old act which were built up in response to the Secretary of Agriculture's urging of greatly expanded production commencing in 1962 to offset an international sugar shortage. The domestic industry responded admirably and to the extent that they accumulated stocks beyond their marketing quota.

Unfortunately the increase in quotas for our domestic producers, although sufficient to take care of accumulated stocks, will not provide for any additional acreage for new growers or for new areas and new sugar refineries.

There are many areas of the United States which are most capable of producing sugar economically. I think it is most important that the U.S. quota be high enough to permit some acreage over the term of the act to be allocated to new growers and new areas.

Earlier this week the Senate adopted the conference report on the Food and Agriculture Act of 1965 which contains a huge land retirement program. In my opinion, it hardly makes sense to embark upon a huge land retirement program which will cost a billion dollars a year and, at the same time, import about one-half of our sugar requirements a good deal of which could be produced in this country on acreage otherwise either devoted to the production of crops which may be in surplus, or on acreage which the Federal Government otherwise would be spending huge sums of money to retire from production of all commodities. I know of no other country in the world which would take similar action in making possible substantial imports of a commodity which its farmers could produce economically.

As I have mentioned to this committee in years past, the Red River Valley of North Dakota and Minnesota is ideally suited to the production of sugarbeets. The producers in this area are most desirous of increasing their production and there are thousands of additional farmers who are extremely anxious to have an opportunity to commence production of this crop. This area has sufficient rainfall to produce beets in dryland farming and has the type of soil and level land which facilitates large-scale mechanized production. It should also be pointed out that in this area, 1 year prior to planting sugarbeets, the producer must summer fallow the land on which he proposes to plant beets. This, in effect, means that it requires 2 acres to produce 1 acre of sugarbeets. Any acreage planted to beets, in most cases, therefore, would relieve the production of crops that are in surplus. Sugarbeet production, in addition, furnishes employment for a sizable number of people in the cultivation, harvest, and refining of beets. Considerable employment is also furnished through the great amount of expensive machinery required for the production of sugarbeets.

In view of the unsettled international situation, I would hope that we could reach a point where we could, to a much greater degree, rely upon our domestic sugar industry to meet our requirements. This can be done by increasing the allocations given to the domestic sugar industry. I hope that it will be possible for this committee to approve a much greater allocation for our domestic producers—both cane and beet producers. I believe this would be in the best overall interests of the Nation.

WASHINGTON, D.C.,

October 18, 1965.

Senator MILTON R. YOUNG,
Senate Office Building,
Washington, D.C.:

Understand sugar bill, H.R. 11135 as reported by the Finance Committee, may come to the floor Tuesday or Wednesday. This bill includes quota increase desperately needed by domestic sugarbeet industry. Unless beet sugar quota increase authorized, domestic beet industry will be unable to market burdensome sugar surpluses generated by Government-encouraged production.

Urgently solicit your support of this vital legislation.

For sugarbeet growers: Gordon Lyons, executive manager, California Beet Growers Association, Ltd., Stockton, Calif.; Richard W. Blake, executive secretary, National Beet Growers Federation, Greeley, Colo.; Loren Armbruster, director of grower affairs, Farmers & Manufacturers Beet Sugar Association, Saginaw, Mich.; Aldrich C. Bloomquist, executive secretary, Red River Valley Sugarbeet Growers Association, Inc., Fargo, N. Dak.

For beet sugar processors: Robert H. Shields, president and general counsel, U.S. Beet Sugar Association, Washington, D.C.

Mr. MORSE. Mr. President, without losing my right to the floor, I yield to the Senator from Ohio.

Mr. LAUSCHE. Mr. President, I send to the desk an amendment to the pending bill, and in the event the question is not resolved this afternoon, I ask that the amendment be printed.

My amendment contemplates restoring to Malagasy the quota of sugar sales recommended for it by the President of the United States.

Malagasy has been our friend. It has aligned itself with the free West. It has repeatedly stood by our side in the United Nations. It has made available its land adjacent to the eastern shore of Africa for our use in more than one way.

The quota recommended is 7,492 tons. I thank the Senator from Oregon for yielding to me.

Mr. MORSE. Mr. President, without losing my right to the floor, I yield to the Senator from Tennessee.

Mr. BASS. Mr. President, I should like to have the attention of the floor leader of the bill, the assistant majority leader.

Mr. LONG of Louisiana. Mr. President, before the Senator from Tennessee proceeds, with reference to the amendment which the Senator from Ohio has sent to the desk, I should like to suggest, having discussed the matter with the Senator and also with some of those on the other side of the aisle, as well as with members of the committee on this side of the aisle, that I am persuaded that the Senator is correct in his amendment. In this particular case, the committee was not fully aware of the foreign relations implications of striking the tonnage for the Malagasy Republic. It should be restored. The conferees, rather than conferring between the 6,081 tons that the House allowed and the zero figure of the Senate, should confer between the administration figure of 7,492 tons and the House figure. If there is no objection, I urge that the Senate agree to the amendment.

The PRESIDING OFFICER. Does the Senator from Ohio submit his amendment at this time?

Mr. LAUSCHE. Yes; I submit it for consideration.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 33, strike out lines 3, 4, and 5 and insert the following: "by prorating 3,164 short tons, raw value to the Malagasy Republic and by prorating the amount of sugar determined under paragraph (1) of this subsection (less 3,164 short tons, raw value) among foreign countries on the following basis:"

On page 34, line 13, before "percentages" insert "quantity or".

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Ohio.

Mr. LAUSCHE. Mr. President, I am glad that the Senator from Louisiana accepts this amendment. I think it is one of serious consequence. Malagasy has stood by us, as I previously said. President Tsiranana of Malagasy has been loud in his proclamations of loyalty and friendship to the free West. He has refused to join the African nations in their principle of nonalignment. Courageously, he has spoken up and voiced his antagonism to the Chinese Commu-

nists and his friendship to the United States.

Prior to 1964, the Malagasy Republic—also known as Madagascar—had not exported sugar to this country, and thus had not benefited from the opportunity enjoyed by many other countries to sell sugar to the United States when U.S. prices were higher than world prices. During the 1964 shortage, however, when the U.S. price for sugar was 2.3 cents per pound below the world market price, the Malagasy Republic responded to our appeal for sugar, shipping us 11,500 tons initially, and subsequently offering us an additional 5,500 tons. In recognition and appreciation of this assistance during the 1964 shortage, Madagascar has enjoyed a quota of 7,781 tons during the current year, a quota disappointing to Madagascar because it is less than a full cargo of 10,000 metric tons and thus uneconomical to ship. Because of this fact, administration officials recommended a quota of 7,492 tons in the pending legislation based upon her shipments in 1964.

Now in its sixth year of independence from France, the Malagasy Republic probably is as closely aligned with the free world as any other independent African state, and it has repeatedly given the United States important political support on a variety of international issues, both in the United Nations and in other international fora. Madagascar has voted with us on the issue of Chinese representation at the U.N. since their admission to that body in 1960. Malagasy President Tsiranana, whom many of you may recall from his most successful state visit to the United States in the summer of 1964, has rejected non-alignment as a policy for his country and has publicly proclaimed the latter to be aligned with the West. His voice has been one of the loudest and strongest, warning the Organization of African Unity against the dangers of Chinese Communist penetration and subversion of the continent of Africa. United States policies in the Congo, in Vietnam, and elsewhere around the globe have regularly found a sympathetic ear and outspoken support from President Tsiranana.

Trade and contacts between our two countries have increased significantly since Madagascar's accession to full independence in 1960. U.S. naval visits to ports of this strategically located western bastion in the Indian Ocean are also increasing and, with the full approval and cooperation of the Malagasy Government, we have established on the island a major NASA tracking station, which is critical both to our unmanned satellite and space probe programs and to our manned Apollo and Gemini projects. This station played a vital role in making possible the recent awe-inspiring orbital flight of Gemini 5—a contribution recognized by President Johnson in sending Astronauts Cooper and Conrad to Tananarive, personally to express this Government's appreciation of the cooperation of the Government of the Malagasy Republic in making these facilities available.

In sum, the Malagasy Republic is a tried and tested friend of the United

States which has assisted us in time of need. It would be ironic were we to repay this friendship by withdrawing from Madagascar its sugar quota. Gentlemen, I urge that Madagascar's quota be restored at least to the level recommended by the House. I believe it would be a serious mistake to delete this quota from the bill.

Mr. LONG of Louisiana. Mr. President, may I say that since the Senate Finance Committee has acted, I have not heard a single complaint from the executive branch of the Government about what we did, except on this particular item. I am happy to urge that the amendment be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Ohio [Mr. LAUSCHE].

The amendment was agreed to.

Mr. BASS. Mr. President, I should like to ask a question of the distinguished floor manager of the bill. I refer him to page 31 of the committee report. In discussing the quotas for sugarbeet growing, if I remember correctly, in the previous sugar bill there was a provision whereby a certain number of allotted acres, additional acres of beet sugar production, were to be given to new sugarbeet growers. Is there any provision in the pending bill which would allow the Secretary or require the Secretary, as the case may be, to allot any acres to new sugarbeet growers?

Mr. LONG of Louisiana. We do not have it in this bill, and the reason we do not is that the bill cuts back on acreage. We asked our producers to expand their acreage at a time when the price was high, when the world price was above the United States price. So they expanded. Now they are stuck with 580,000 tons of sugar which we cannot allow them to market. So the bill seeks to stabilize the situation by reduction of acreage, and both the cane producers and the beet producers are reducing acreage in order to live up to their agreements, which are basic to the pending legislation.

Mr. BASS. This would reserve under the bill, according to the report, 65,000 short tons for the future, so what happens to the growth in the sugarbeet areas?

Mr. LONG of Louisiana. That provision merely preserves what Congress did in 1962. The authority that existed has been exhausted. In other words, that acreage has been assigned and the producers to whom it has been assigned are undertaking to produce it.

Mr. BASS. What the Senator is saying to me now is that under the act, there will be no additional acreage for new beet producers.

Mr. LONG of Louisiana. The Senator is correct.

Mr. BASS. Is this because of the surplus that now exists in the domestic sugar growth?

Mr. LONG of Louisiana. Yes, that is the problem. That is the cause of it. We have a law which forbids us to market sugar we already have on hand. We have 580,000 tons of it on hand, which is a large amount of sugar. This law

would permit us to market the sugar which is on hand.

Mr. BASS. In lieu of the growth figure?

Mr. LONG of Louisiana. Yes. In cane sugar areas such as Louisiana, acreage will be cut 13 percent below the 1964 level. Sugarbeet acreage will be cut by 5 percent. Therefore we cannot be cutting farmers by 13 percent in sugar cane in Louisiana and 5 percent in the sugarbeet areas and at the same time providing additional acreage for new areas.

As consumption of sugar grows beyond these years, there may be an opportunity to provide for additional acreage for others, but the refiners are determined that production, particularly of sugarbeets, will not increase beyond some firm figure, because they do not process sugarbeets. The producers in the sugarcane areas, in order to get a bill to which refiners would agree—and we cannot pass a bill without their acquiescence—are willing to take a 13-percent cut against a 5-percent cut for the sugarbeet producers.

Mr. BASS. I sympathize with the position of the Senator from Louisiana, but what I am talking about is the possibility of acquiring a future growth in Tennessee. There is an area in western Tennessee and southeast Missouri, just across the river, which has produced sugarbeets for the past 3 years. It has been demonstrated that it can produce sugarbeets in quantity, with a sugar content, so that it would be profitable to have a sugar refinery come in and process the sugar.

I hope, therefore, that we will not pass a bill in the Senate with a 5-year life span which would have the effect of locking quotas in the bill whereby new sugarbeet areas could not enter the bill in the future and come in and receive new quotas. As the Senator well knows, because of what has happened over a period of years, in the West we have a real surplus of sugar. There is, therefore, a freight differential in transporting it to the area, and the area I am talking about is one within a radius of 500 miles, where some 15 million American citizens live, and no sugarbeet or sugarcane is produced there.

I am, therefore, of the opinion that under the provisions of the bill, if we have a growth factor of 65,000 short tons, an area such as western Tennessee and southeast Missouri could come in and qualify and be in an eligible place to build a sugar factory.

That is what my personal interest is in this bill, as well as my interest in trying to disperse this commodity throughout the Nation, in case of a transportation or other emergency, where sugar could be made readily available to areas in which it is being consumed.

Mr. LONG of Louisiana. This would not be a particular problem if we could commit ourselves to farm legislation which would guarantee a decent price for farm commodities which are now being produced in Tennessee. So far as I am concerned, I will vote for any workable arrangement which will help farmers to obtain a decent price for what they

produce, even though we do not produce an acre of that product in Louisiana, because I believe that every farmer is entitled to a decent living.

Mr. BASS. I agree wholeheartedly with the Senator from Louisiana.

Mr. LONG of Louisiana. I have supported and will continue to support measures which will help every farmer in every part of this country, whether the crop he produces is a great amount or very small compared to those grown in Louisiana. Fortunately, under the Sugar Act, and the amendments to it, we have kept sugar under such complete control—

Mr. BASS. It is a monopoly.

Mr. LONG of Louisiana. It has been under control. There are a great number of companies which produce sugar but they are completely controlled. We not only control the acres the farmer can plant, but we also control the amount of sugar he can produce. So that there is control on both ends. In other commodities, the farmer can plow on more fertilizer using less acreage, and produce more wheat, or corn—

Mr. BASS. Or tobacco.

Mr. LONG of Louisiana. Or cotton; and he can sell it. But in sugarbeet and sugarcane areas, no matter how much the farmer fertilizes or increases his produce, if he produces more he is stuck with it.

Mr. BASS. He can feed it to the cattle, which cannot be done with a commodity such as tobacco.

Mr. LONG of Louisiana. Yes, he can feed it to the cattle, but it is expensive to feed it to cattle. They cannot eat sugarcane. It must be squeezed out and, by the time it has been processed, it becomes a most expensive feed.

Mr. BASS. Let me capsule what I wish to say, because I wish to impress upon the Senator from Louisiana—who is one of the leaders not only in the Senate but also in handling sugar legislation—that we in Tennessee would like to have a sugar quota, and I hope that the Senator will use his influence with the powers that be who distribute quotas to try to see if he cannot get one for Tennessee. We would like to produce sugar down there.

Mr. LONG of Louisiana. I shall be glad to cooperate in every way I can, with the understanding that it does not come off the Louisiana quota.

Mr. BASS. I understand completely.

Mr. LONG of Louisiana. We could take it off the quota of South Africa or the Fiji Islands, or some other country, perhaps, so that we could give a quota to Tennessee.

Mr. BASS. I have the greatest respect for the refining industry, as I have for all other industries, but they do not have a vote on the Senate floor, so that we do not have to worry too much about that.

Mr. LONG of Louisiana. The Senator would be surprised how many votes they have in the House of Representatives.

Mr. BASS. I worked on this kind of legislation in the House for 8 years, so I understand a little of the mechanics in the committee there, but we wish to please them now.

Mr. LONG of Louisiana. Let me say that I should like to be helpful in what the Senator is seeking to achieve, with the understanding that I would not want to prevent us from having a sugar industry, or the necessary sugar legislation. That is one of the factors with which we sometimes have to contend. We have to get the various elements of the industry together, in order to get a Sugar Act passed at all in Congress.

Mr. BASS. There is a way we can restrict to a degree the influence of the refineries in distributing quotas.

There is one thing that disturbs me, and since the Senator has brought it up, I should like to say, regarding the criteria established by the Department in issuing quotas under the 1962 act, that the Department stated that, if Tennessee could get a mill that would process and manufacture sugar, it could get a quota. In my opinion, this is largely strictly up to the refineries, because they can say to the Department, "We do not wish to go to this area and build a factory."

By that action, they could veto the establishment of a new sugar quota. This should be reversed. The Secretary should say to a factory producing sugar in a given area, "If you do not wish to go in and manufacture it, then we are going to move you out from where you are and you will not have any authority to manufacture, because this business of controlling the establishment of quotas should not be in the hands of the refineries."

Mr. LONG of Louisiana. The last time we passed a sugar act in Congress it was done because we were then able to bring in new areas and increase the acreage. We did it in that bill.

Mr. BASS. That is correct.

Mr. LONG of Louisiana. So far as this Senator is concerned, when we are in a position to expand acreage, I would expect to vote to take in new producing areas; but in a bill such as this, where those of us from the cane producing areas have been asked to take a 13-percent cut, we cannot be expected to be favorable to bringing in new producing areas.

Mr. BASS. I can understand that under present circumstances, but I hope, if the growth factor changes the situation, the Senator will help us do something along that line.

I appreciate the courtesy of the Senator from Oregon in yielding to me. I know he has an important message to deliver. I shall listen to him with interest.

PROTESTS AGAINST VIETNAM POLICIES

Mr. MORSE. Mr. President, the agitation in today's news about the nature of the Vietnam protests and the action of the U.S. Government to suppress them is indicative of the use of a straw man by both sides.

The youthful protestors who ignore the many means of peaceful and orderly protest open to them under the first amendment to the Constitution, are affording to the entire Nation the oppor-

tunity to dismiss all dissent from Government policy as lawless, reckless, and bordering on sedition.

The near hysteria with which these demonstrations are being met by Government officials suggests that they are anxious to tag all dissent as lawless, reckless, and bordering on sedition. To bring the full weight of Government police power down upon a few noticeable individuals can, they hope, spread disrepute to the whole idea of dissent or objection to a policy in Vietnam that is producing not peace but only war and the prospect of more war.

I do not doubt that the agitators on the one hand and their prosecutors on the other serve each other's purposes quite well. Many of the youths about whom the public has been reading so much in recent days have for their purpose little more than agitation, leading to jail. There are ample laws on the books to deal with anyone who evades or resists the draft, and these young men know that perfectly well. If that is their chosen means of expression, the law will deal with them.

And the administration, too, needs an extremist and violent faction against which to act, for then it can act with something like public support. No one can condone violation of the law in the form of evasion or resistance to selective service. For those who are bona fide conscientious objectors, the law permits an alternative to combat service. But the right to violate selective service laws because of a disagreement with the use to which they are put cannot gain support or approval in this country. Therefore, the administration is safe in cracking down on that type of dissent from its Vietnam war. I expect that in the weeks ahead, the Nation will be treated to a vast public relations campaign that will seek to create the impression that anyone who questions what is being done in Vietnam is a draft evader, or is the tool or dupe of Communists, or trying to further Communist objectives. A few prosecutions and a barrage of high-level statements will be central features of the campaign.

It is in these terms that the administration thinks it can best consolidate public support for its war.

RIGHT OF PROTEST IS PROTECTED BY CONSTITUTION

In this situation, it is well for those of us who believe our Vietnam policy is aiding the Communist cause in the long run to remember that there ample means of registering protest, means that are protected by the first amendment to the Constitution.

These means have been protected time and again by the Federal police power in the last decade when they were used in connection with civil rights. They take the form of peaceful, nonviolent protest. It is the sound of feet marching in protest, the use of the right of peaceful assembly, and of petition that are protected not only by the Federal courts, but by the same FBI and Justice Department that are now investigating the violation of draft laws and other forms of

illegal or violent action in connection with Vietnam demonstrations.

What America needs to hear is the tramp, tramp, tramp of marching feet, in community after community, across the length and breadth of this land, in protest against the administration's unconstitutional and illegal war in South Vietnam. Those protests must be within the law. Those protests must not violate the law. But the administration must also act in keeping with the rights of the protesters under the first amendment.

Let me say to the administration that it owes a responsibility of seeing to it that, under the guarantees of the first amendment, the legal rights of the protesters are protected. I know there will be incidents. That always has happened from time immemorial when people have protested against what they considered to be unsound government policies. Those who violate the law must be held accountable to the law. But also I forewarn the administration that it cannot, because of the actions of some of these demonstrators who may be law violators, breach the rights of the legitimate protesters; that it has the obligation to see that the rights of the legitimate protesters are protected, even though the Government itself is violating the Constitution of this country.

Beyond that, there are the rights of dissent that are exercised in political debate, open and public forums, and eventually at the ballot box.

I say to this administration that it should keep its eye on the ballot box, for, in my judgment, there will be an exercise of public opinion at that ballot box in 1966 and 1968, if this administration does not reverse itself in its policy of international outlawry, that will awaken this administration to what I think is a great miscalculation on its part, if it thinks that at the grassroots of America the people want war and not peace.

These are means of protest and dissent that cannot be squelched by Federal police power. I am satisfied that the longer the war in Vietnam fails to produce peace, the more these methods of dissent will be used by the American people, no matter how much the Federal authorities try in the meantime to discredit opposition by condemning and campaigning against those who conveniently provide a grounds for criminal prosecution.

Those means should be used. They should be used by an American people that wishes to abide by the rule of law. They should be used by people who believe their Government should itself abide by the Constitution of the United States, which permits war to be pursued only upon a declaration of war by Congress, and by people who believe that the United States must take the lead in furthering, not destroying, the rule of law in relations among nations.

It can hardly be wondered at that an administration that engages in war in violation of the means outlined by the Constitution is met with protests taking the form of violation of the draft laws.

But jungle law is usually met by more jungle law. This will be true not only here at home, but among the nations of

the world, who see the United States in flagrant violation of the United Nations Charter.

PEACEFUL PROTESTS SHOULD CONTINUE

These events of illegality being countered by more illegality should not deter the rest of us from continuing our quest for a return to the procedures of the Constitution and the United Nations Charter. We have ample means for making our views known. There is no need to resort to violence or violation of the law.

Some weeks ago I said as much to a group of young people who were organizing a Vietnam war protest in my home State of Oregon. They were planning a sit-in at the Portland post office last February, and while I recognize their status as adults able to choose their own course of action, I commented as I shall read.

At the time of the incident I discussed it on the floor of the Senate, and I discussed it last Friday in my speech on the floor of the Senate, but I did not have the telegram in my possession at the time.

As I said last Friday, the U.S. district attorney in Portland, Oreg., called me to report what these students were doing. He pointed out that it would be necessary for him to arrest them because, at 5 o'clock, he would have to close the building where they were protesting. He told me that he did not like to have to arrest them because that arrest would be on their record all through their adulthood, and he did not think that they realized the great mistake they were making.

He said:

I think they might listen to you.

I said:

I am not going to establish the precedent of involving myself in every protest in which some of the protesters move outside the law and do not stay within the framework of their legal rights. But I will send, through you, a telegram to them, if you will read it, stating once and for all my position in regard to my dedicated belief that no protester has the right to violate the law.

I shall read the telegram. I do not know if it has had any effect on them as to their subsequent conduct, but the fact is that subsequent to reading the wire they left the building and proceeded thereafter to continue their protest within the law. The telegram reads as follows:

I am concerned over the reports of commission of unlawful acts by a group of young people in Oregon in an attempt to dramatize their disagreement with U.S. policy in Vietnam.

The use of so-called "civil disobedience" techniques is not only inappropriate but also highly ineffective in bringing about changes in national policy in a constitutional democracy. Students have a right freely to publicize their views in a lawful manner and may perform a service in making a reasonable presentation in an attempt to influence public opinion. But irresponsible and unlawful actions do not contribute to intelligent discussion of the issues and can only hurt the cause which is propounded.

I do not doubt that the flouting of the Constitution and the United Nations Charter by the administration through its Vietnam policy will breed much more disrespects for

the draft laws and for the obligations of citizens to stick to peaceful means of protest. A country that takes the law into its own hands is no example for its citizens to do differently.

But there is no justification, in my opinion, for any young man in this country to violate the law by burning draft cards, or by defying the draft; then the youth who is able to establish that he is a conscientious objector within the meaning of the existing law is not exempt from a substitute service.

Let there be no mistake. The Senator from Oregon holds no brief for these law violators who are using these means of protest against our war policies in South Vietnam. I condemn it. To those who protest within the law I say you must not be dissuaded by the scofflaws because we are going to have extremists in our administration who will smear the lawful along with the unlawful.

But there are many Americans who recognize where such a course is going to take this country if it continues in its course of action. Many of us recognize that it is this country that has the most to gain in world affairs by adhering to a standard of respect for the United Nations and for international agreements and insisting that others do the same. To the extent that we depart from that standard in our international conduct, we damage our long-range purposes and objectives.

We are fighting in Vietnam without benefit of a declaration of war. That alone cannot help but breed disrespect for our domestic laws among those who disagree with the policy. But we are fighting that war in violation of the United Nations Charter, and that is going to breed disrespect for peaceful settlement of disputes among all nations, not the least of them the new nations of the world we are so anxious to influence and to guide in the ways of adherence to the rule of law.

EFFECT ON MORALE OF U.S. FORCES

Much will be heard, and has already been heard, about dissent at home having a demoralizing effect upon American forces fighting in Vietnam. This argument has nothing to do with the rightness or wrongness, or success or failure, of a policy, but is supposed only to shut off comment. If it does, then the supremacy of the military over the civilian in government will truly be established in this country.

I hope the time will never come when the wisdom of sending American soldiers into a war situation will become a forbidden subject of discussion. I hope the time will never come when the purpose of sending American soldiers into battle will be a forbidden topic among the civilians who support them and who may eventually have to join them. I hope the time will never come when the objective to be achieved by war is no longer a fit matter of debate, because if it is, the men who think they have gone 10,000 miles away to serve American interests will have gone in vain.

I repeat my position in connection with supporting the fighting men in South Vietnam.

sion. I do not believe, from what I saw, that freedom can be bought cheaply in that troubled part of the world, but I believe we are inspiring confidence among our SEATO allies and that our enemies and our friends know that we mean what we say and that we are not afraid to fight to keep our commitments.

The distinguished Senators from Ohio and Maryland, Senator YOUNG, and Senator BREWSTER, with whom I was associated, looked long and hard into reports of shortages of ammunition, boots, and other equipment, and were unable to substantiate any claims of deficiency. On the contrary, it seemed to me that our boys were being supplied with the finest materiel available and the equipment was suitable for accomplishment of their mission.

I found morale extremely high but one question continued to arise wherever we were able to visit the fighting men. It was one of concern, disappointment, disillusionment, and sometimes anger over the student demonstrations and the mockery of draft cards which has been so much in the news of late. I could not help but wonder what our enemies must think, let alone what our friends wonder when they learn of these outrageous misuses of the privileges of citizenship.

Of course, I attempted to explain that these vulgar and sickeningly unpatriotic gestures were the rare exceptions and not the rule among our youth and on our campuses. I still believe that, but I do not think we can minimize the damage and misunderstandings that these wanton acts provoke.

The magnitude of our effort in helping the South Vietnamese achieve both military and political stability is truly impressive. American ingenuity is being demonstrated every day in the construction of airfields, ports, communications networks, and the coordination of all these factors in a manner which will inspire confidence and create the necessary morale to sustain the people of that troubled country. It is true that the performance of our allies in this fight has so far been disappointing, but I hope that in due time they will be inspired, as were all of us on this visit, with the example of the South Korean nation, which sent a division, including marines, to South Vietnam, and plans to step up its fighting personnel there to 20,000 men.

It seems to me, Mr. President, that each day brings additional strength to our resolve to strive toward an honorable peace without weakening our determination to discourage aggression. As a result of this trip, I am convinced more than ever before that our active presence in southeast Asia is the only acceptable course, and the correct one for this Nation.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 337. An act for the relief of F. F. Hintze;
S. 343. An act for the relief of Paride Marchesan;
S. 374. An act for the relief of Dr. Guillermo Castrillo (Fernandez);
S. 711. An act for the relief of Mrs. Hertha L. Wohlmuth; and
S. 2039. An act for the relief of Ken Allen Keene (Yasuo Tsukikawa).

The message also announced that the House concurred in the amendments of the Senate numbered 1, 2, 3, 4, and 13 to the bill (H.R. 168) to amend title 38 of the United States Code to provide increases in the rates of disability compensation, and for other purposes; that the House disagreed to the amendments of the Senate numbered 6 and 11 to the bill, and that the House concurred in the amendments of the Senate numbered 5, 7, 8, 9, 10, and 12 to the bill, severally with an amendment, in which it requested the concurrence of the Senate.

The message further announced that the House concurred in the amendment of the Senate numbered 1 to the bill (H.R. 227) to amend title 38 of the United States Code to entitle the children of certain veterans who served in the Armed Forces prior to September 16, 1940, to benefit under the war orphans educational assistance program, and that the House disagreed to the amendment of the Senate numbered 2 to the bill.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 5493. An act to provide that the flag of the United States of America may be flown for 24 hours of each day in Lexington, Mass.; and

H.R. 6568. An act to amend the Tariff Act of 1930 to make permanent the existing temporary suspension of duty on copra, palm nuts, and palm-nut kernels, and the oils crushed therefrom, and for other purposes.

HOUSE BILLS REFERRED

The following bills were each read twice by their titles and referred, as indicated:

H.R. 5493. An act to provide that the flag of the United States of America may be flown for 24 hours of each day in Lexington, Mass., to the Committee on the Judiciary.

H.R. 6568. An act to amend the Tariff Act of 1930 to make permanent the existing temporary suspension of duty on copra, palm nuts, and palm-nut kernels, and the oils crushed therefrom, and for other purposes; to the Committee on Finance.

SUGAR ACT AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. LONG of Louisiana. Madam President, I have technical amendments at the desk. I have cleared them with Senators on both sides of the aisle. I do not think there is any objection to them.

The PRESIDING OFFICER. The amendments offered by the Senator from Louisiana will be stated.

The legislative clerk read the amendments, as follows:

Page 32, line 4, after "from" insert a comma.

Page 34, line 12, strike out "(2)" and insert "(3)".

Page 37, line 1, strike out "subsection (d)(1)(B)" and insert "paragraph (1)(B) of this subsection".

Page 37, line 14, strike out "(2)".

Page 39, line 15, strike out "subsections (c)(3) and (d)(1) of this section" and insert "subsection (c)(3) and paragraph (1) of this subsection".

On page 46, line 22, after "are amended" insert "to read".

On page 49, line 20, strike out "(3)".

On page 55, line 4, after the period insert the following: "The amendments made by section 9 of this Act shall become effective on the date of the enactment of this Act."

Mr. WILLIAMS of Delaware. Madam President, may I ask the Senator from Louisiana if I am correct in my understanding that these are technical amendments only?

Mr. LONG of Louisiana. They are purely technical. They correct language that should be corrected.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Louisiana en bloc.

The amendments were agreed to en bloc.

The PRESIDING OFFICER. The bill is open to further amendment.

AMENDMENT NO. 474

Mr. DOUGLAS. Madam President, I ask the clerk to state an amendment which I have at the desk, but before the clerk reads the amendment, let me say that substitute numbers should be inserted at the appropriate places, because the original pagination followed the original bill.

The PRESIDING OFFICER. The amendment offered by the Senator from Illinois will be stated.

The legislative clerk proceeded to read the amendment.

Mr. LONG of Louisiana. Madam President, I ask for the yeas and nays on passage of the bill.

Mr. DOUGLAS. Madam President, first, the yeas and nays on the amendment should be ordered.

Mr. LONG of Louisiana. The Senator has not offered it yet. I would like to ask for the yeas and nays on the passage of the bill first.

The PRESIDING OFFICER. The Senator from Illinois requested that his amendment be read. The clerk had not completed the reading of the amendment.

Mr. MANSFIELD. Madam President, I ask unanimous consent that further reading of the amendment be suspended while the yeas and nays are asked for, and then that the amendment be read in full.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. MANSFIELD. Madam President, I ask for the yeas and nays on passage of the bill.

The yeas and nays were ordered.

Mr. LONG of Louisiana. Madam President, I now ask for the yeas and nays on the amendment of the Senator from Illinois [Mr. DOUGLAS].

Mr. MANSFIELD. Madam President, I ask unanimous consent that the yeas and nays may be ordered even though the amendment has not been read.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will continue reading the amendment.

The legislative clerk resumed and concluded the reading of the amendment offered by Mr. DOUGLAS, which is as follows:

On page 48, strike out lines 12 and 13, and insert the following:

"SEC. 10. Section 213 of the Sugar Act of 1948, as amended, is amended to read as follows:

" 'IMPORT FEES

" 'SEC. 213. (a) Except as hereinafter provided, as a condition for importing sugar into the United States under this Act from any foreign country, an import fee, computed as provided in subsection (b), shall be paid to the United States by the person applying to the Secretary for entry and release of such sugar. Payment of such fee shall be made in accordance with regulations promulgated by the Secretary. This subsection shall not apply to sugar imported from the Republic of the Philippines or from any country in the Western Hemisphere (other than any possession, protectorate, or dependency of France or the United Kingdom).

" '(b) The import fee under subsection (a) with respect to any sugar imported into the United States under this Act shall be an amount (computed on a per pound, raw value basis) equal to the amount by which the domestic price for raw sugar on the date of importation exceeds the higher of—

" '(1) the world market price for raw sugar on the date of importation (determined by the Secretary and adjusted for freight to New York, insurance, and customs duties imposed by the United States), or

" '(2) the average world market price for raw sugar during the 15-year period preceding the year of importation (determined by the Secretary and adjusted for freight to New York, insurance, and customs duties and import taxes imposed by the United States).

" '(c) The import fees received by the Secretary under subsection (a) shall be covered into the Treasury into a special fund to be known as the Alliance for Progress Fund. There are authorized to be appropriated from such Fund, solely for the purposes of the Alliance for Progress, such amounts as may from time to time be provided by appropriation Acts."

ANALYSIS OF AMENDMENT

Mr. DOUGLAS. Madam President, the amendment which I have suggested would not affect the domestic beet and cane sugar programs, nor would it affect the allocation and payment on sugar with respect to the Philippines, which is regulated by treaty.

The amendment would not impose an import fee on any sugar coming from the Western Hemisphere with the exception of the French colonial possessions and the British colonial possessions; but it would impose an import fee on sugar coming from countries outside the Western Hemisphere and on what comes from the British West Indies and the French West Indies.

In all, the amendment would impose import fees on 471,985 tons allocated to countries outside the Western Hemisphere

and on the 126,017 tons allocated to the British West Indies, and British Honduras.

The French West Indies are included in the tabulation under "French" and outside the Western Hemisphere, which is a printer's error. It would, therefore, apply to approximately 598,000 tons out of the total.

The amendment would levy this import fee on the difference between a 15-year moving average of the world price, which would be 4.22 cents, plus the shipping cost and insurance cost of about half a cent a pound, plus the tariff of five-eighths of a cent, or a total of approximately 5.3 cents a pound.

The present price is \$6.85, so there would be a return of approximately one-half cent a pound or \$30 a ton, or on just short of 600,000 tons, about \$18 million, if my arithmetic is correct.

That money, of course, would not be appropriated automatically. We have no authority to appropriate it now, but it would go into a fund, and we would authorize appropriations from that fund for the Alliance for Progress.

LATIN AMERICA BETTER OFF UNDER AMENDMENT

I point out that Latin America would come out much better under the plan which I am suggesting than under the plan proposed by the Committee on Finance, for Latin America would receive everything which it would otherwise get. The independent countries of Latin America would be receiving everything they would be getting under the administration bill, the Senate bill, or the House bill. In addition, they would be getting the import fees collected from sugar imported from outside the hemisphere. This money would go to the common people of Latin America instead of to the rich landlords, as is contemplated in the bill proposed by the Committee on Finance.

First, I wish to take up the question as to what economic responsibility, if any, in the form of sugar subsidies we have to countries outside the Western Hemisphere. I know of none. We assume no automatic military or economic protection over them.

Australia is an independent country, and an extremely prosperous country. They do not need aid. They would not ask for aid. They would be offended if aid were suggested.

Formosa is a republic, to which we no longer give economic aid.

South Africa is a country to which we owe no obligation. As the great gold-producing area of the world it needs no artificial stimulants. I believe it produces at least two-thirds of the gold supply of the world. It has enough purchasing power to buy materials from the rest of the world.

With respect to India, I have always supported aid to India. I believe that I was the first Senator to come to the support of Senator HUMPHREY over a decade ago when he began his campaign first, to give wheat to India, and then, when he was prevented from doing that, to sell wheat to India in soft currency terms. That is putting food in the mouths of Indians.

But this proposal would take nutri-

ment away from the mouths of Indian children. It calls on India to export sugar and deprives its own people of sugar. It may be too much sugar.

This is supposed to be one cause for American obesity. But the Indians are not troubled, or very few of them are troubled, with obesity. They have trouble with malnutrition and they need all the calories they can get from the sugar which we would take away from them.

We would be taking away nourishment of sugar from the mouths of Indian children in order to put money in the pockets of Indian landlords.

As to the Fiji Islands, which are allotted 35,489 tons, I believe Senator FULBRIGHT is quite correct when he says that all the sugar in the Fiji Islands is owned by one big Australian company.

There are the Mauritius with about 15,000 tons. I am told we have a tracking station there. We can buy sugar from them but buy it at the 15-year-average world price.

WHY HELP SOUTHERN RHODESIA?

Then, there is Southern Rhodesia, which is down for 6,000 tons. Earlier today I mentioned the fact, which is known to all, that Southern Rhodesia is in a critical period in which the white supremacy government representing some 250,000 white settlers in Rhodesia is threatening to secede from the British Empire. The British Government is carrying out the policy previously announced by the Tory government, namely, that they will resist with all methods short of physical force the declaration of independence and in effect will apply economic sanctions to Rhodesia if they carry through this program.

In the United Nations a few days ago, Ambassador Goldberg proposed that we should condemn Rhodesia if it attempted to secede from the British Empire. Mr. Goldberg clearly foresaw the possible inflammatory effects of such a secession, the aim of which would be to impose the white rule of 250,000 white people upon 4 million blacks, for an indefinite future, which might touch off a racial struggle through all of Africa, including South Africa and the new black republics of Central Africa.

I believe Ambassador Goldberg's position is correct. I am very glad that the United Nations, by a vote of 107 to 2, approved the resolution. I was cheered also by the fact that press dispatches from London indicated that the U.S. Government was alining itself with the British Government in its opposition to Rhodesian secession. There is the possibility that, faced with British opposition, faced with the United Nations opposition, and faced with the American opposition, Mr. Smith will have second thoughts and that his white supremacy party will not force secession.

They are going through a period of agonizing reappraisal, so to speak, in Salisbury, Rhodesia, and in other sections of that country.

We say to them: "Enter into the charmed circle. We will give you 6,000 tons of sugar with a subsidy, at the present time, of \$72 a ton, and, on present figures, of \$430,000."

Instead of invoking sanctions, we would be giving them bonuses. That is hardly the way to establish unity in foreign policy. This is what I call schizophrenic foreign policy. It is like the character in Stephen Leacock's novel who mounted his horse and rode off in all directions.

I see no reason why Southern Rhodesia should be included; nor Swaziland.

I am told that the Senate has restored the allotment to the Malagasy Republic, because of certain strategic benefits which we derive from that country.

I am not proposing to take the sugar away from them. I am merely proposing that they have it at a moving average of the last 15 years, giving them the bonus of \$25 or \$30 a ton, instead of \$72 a ton.

That is all that is involved. They can sell their sugar for more than they can get now. They can sell their sugar for what they can get, or almost as much as they can get, under the French system.

RETAIN BONUS FOR WESTERN HEMISPHERE

I see no reason why we should pay bonuses to countries outside the Western Hemisphere. My amendment retains the bonuses for countries inside the Western Hemisphere. We have all been forced to think deeply about developments in the Caribbean and the Western Hemisphere by the presence of Castro. I agree that in the future we probably must prevent communism from getting a foothold in Latin America, particularly from getting a foothold in the Caribbean, because the experience we had in Cuba, in the autumn of 1962, has taught us the danger of any such development. Therefore, it is probably in order that we provide additional economic benefits to those countries.

I do not propose that the 1,788,000 tons of sugar allocated to the Western Hemisphere should be thrown into a global pool. Neither am I proposing that an import fee be levied upon this sugar, although personally I should like to see that done, and I should like to see the funds thus collected really used for the Alliance for Progress. However, I have canvassed the Senate somewhat, and I do not believe that such an amendment could be carried. There is a possibility that the amendment which I have proposed might poll a substantial enough vote so as to influence future policy.

Madam President, almost always the discussion of a sugar bill occurs near the end of a session, when Senators and Representatives are tired. They want to go home. They have great pressure of work in their offices. It is hard to get them to come to the Chamber to listen to the debate. That has been the usual experience. It is the experience this afternoon. If the vote on my amendment could be postponed until tomorrow, perhaps we would be in a better position to form a mature judgment. Senators would have had a chance to read the RECORD—and I believe that most of them do read the RECORD in the morning. They would understand the issue somewhat more clearly than if they were asked to vote now, not having been

in touch with what the issues actually are.

I am wondering if my good friend the acting majority leader would not agree to a vote 1 hour after the Senate convenes tomorrow, with the understanding that the debate in the intervening hour be evenly divided between the proponents and the opponents of the amendment.

Mr. LONG of Louisiana. Madam President, I do not feel that I should agree to that proposal. I have some responsibility to the Senate. This is a proposal that should be debated and voted upon. Senators hope that the Senate will adjourn sine die this week. If we begin the consideration of a measure of this sort, adjourn for the night, and then return tomorrow in the hope that Senators will have read the RECORD, my impression is that only a small percentage of Senators will have read the RECORD overnight.

I should be happy to suggest the absence of a quorum and help to obtain a larger attendance of Senators to listen to the Senator's argument. The Senator's argument is subject to a response, and I shall respond to it. I flatter myself to think that on occasion I might be even as persuasive as the Senator from Illinois. Perhaps he would lose votes by the time Senators had heard my side of the argument.

Mr. DOUGLAS. I am willing to take my chances.

Mr. LONG of Louisiana. If we proceed on the basis of taking up a bill and debating it from 11 o'clock in the morning until 5 or 6 o'clock in the evening, with no votes taking place, but merely general debate—if we do not try to push ahead and do business—we shall not be able to adjourn Congress sine die this week; we shall be in session for an additional period of time.

I had hoped to obtain a unanimous-consent agreement. I observe the distinguished Senator from Delaware [Mr. WILLIAMS] and other Senators in the Chamber. I had been advised that it would not be possible to get a unanimous-consent agreement anyway.

Mr. DOUGLAS. What was that?

Mr. LONG of Louisiana. I had been advised that a request for a unanimous-consent agreement would be objected to.

Mr. DOUGLAS. Does not the Senator want to try?

Mr. WILLIAMS of Delaware. Madam President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. WILLIAMS of Delaware. I think it would be possible to obtain a unanimous-consent agreement, which is what the Senator from Illinois suggests. It seems to me that it is a reasonable request. It is true that the Senate wants to adjourn. I am just as desirous of adjourning as is the Senator from Louisiana.

But, after all, the bill was reported by the Committee on Finance yesterday. It had hardly been printed until 11 o'clock this morning, while we have been in session. In the interest of orderly procedure and of expediting the consideration of the bill, if we could obtain a unanimous-consent agreement to vote on the

Senator's amendment tomorrow morning, and then move on to a consideration and votes on other amendments, after a reasonable discussion of each of them, we could perhaps move much faster than we would by trying to push the bill through tonight. I do not believe that could be done. I believe it would be much better to have a unanimous-consent agreement to vote sometime tomorrow. That would be much better all around. I hope that such an arrangement may be made.

Mr. LONG of Louisiana. Perhaps we might obtain an agreement to limit debate on each amendment. I would suggest that beginning when the Senate convenes tomorrow, assuming that it convenes at 9 o'clock, there be 1 hour of debate on the amendment of the Senator from Illinois, the time to be equally divided, and that the Senate vote at 10 o'clock.

Madam President, will the Senator from Illinois yield to permit me to suggest the absence of a quorum?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that, without prejudicing the right of the Senator from Illinois to the floor, I may suggest the absence of a quorum.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that starting at 10 o'clock tomorrow morning the debate on all amendments be limited to 1 hour, to be equally divided between the sponsor of the amendment and the Senator from Louisiana, and that the debate on the bill itself be limited to 2 hours, the time to be equally divided between the senior Senator from Illinois and the junior Senator from Louisiana.

The PRESIDING OFFICER. Is there objection?

Mr. DOUGLAS. Madam President, reserving the right to object, and it is not my present intention to object, is the pending amendment included in the request?

Mr. LONG of Louisiana. The Senator is correct. It would include any amendment on which the Senate would vote. It would be our intention to vote on that amendment.

Mr. MORSE. Madam President, reserving the right to object, I wish to be perfectly certain that I understand the unanimous-consent request. Would this request refer only to amendments already introduced, or are we free to introduce amendments tomorrow?

Mr. LONG of Louisiana. The Senator is free to introduce all the amendments he wants to introduce tomorrow.

Mr. MORSE. Madam President, I want to be very frank. I am inclined to go along with the proposed agreement. However, I am very much concerned about the possibility that I may find myself in a position in which, in order to get the necessary time, I may have to introduce a series of amendments.

Mr. LONG of Louisiana. I hope that the Senator will not find that to be necessary.

Mr. MORSE. I do, too. However, if I do find that it is necessary to protect what I think is the public interest, I want to be free to do so.

Mr. LONG of Louisiana. Under the proposed unanimous-consent request, the Senator would have that right.

Mr. MORSE. I thank the Senator.

Mr. DIRKSEN. Madam President, I think that the request should provide for perhaps 30 minutes for the morning hour.

Mr. MANSFIELD. There will be very few Senators present at that time of the morning. The hour of 9 o'clock in the morning was set as a special favor to the Senator from Connecticut [Mr. RIBICOFF] who has a speech that will take perhaps 45 minutes.

Mr. LAUSCHE. Madam President, the answer of the Senator from Louisiana to the Senator from Oregon left unclear whether the 1-hour limitation would be applicable not only to the pending amendments, but also to any new amendments that may be offered.

Mr. MORSE. It would apply to all amendments. It was on that condition that I consented to the agreement.

Mr. LAUSCHE. It was at least unclear in my mind.

Mr. MORSE. That is different.

Mr. LAUSCHE. I believe the RECORD will show that the Senator's understanding of the language used is erroneous.

Mr. MORSE. We will let the RECORD speak for itself.

The PRESIDING OFFICER. The Senator from Louisiana has the floor. Is there objection to the unanimous-consent request proposed by the Senator from Louisiana? The Chair hears none, and it is so ordered.

The unanimous-consent agreement was subsequently reduced to writing, as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, That effective at 10 o'clock a.m. on Wednesday, October 20, 1965, during the further consideration of the bill H.R. 11135, to amend and extend the provisions of the Sugar Act of 1948, as amended, debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to one hour, to be equally divided and controlled by the mover of any such amendment or motion and the Senator from Louisiana [Mr. LONG]: *Provided*, That in the event the Senator from Louisiana is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him.

Ordered further, That on the question of the final passage of the said bill debate shall be limited to two hours, to be equally divided and controlled, respectively, by the Senator from Louisiana [Mr. LONG] and the Senator from Illinois [Mr. DOUGLAS]: *Provided*, That the said leaders, or either of them, may,

from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

ARGUMENTS FOR AMENDMENT

Mr. DOUGLAS. Madam President, the amendment which is now pending is a very modest one. It would save, at a minimum, \$25 a ton on approximately 600,000 tons, or approximately \$15 million a year, or possibly \$30 a ton for a total of \$18 million. It would use these additional funds for the common people of Latin America. It would strengthen the Alliance for Progress. But it would deprive the countries outside the Western Hemisphere of this unearned bonus.

SENATE BILL HURTS BALANCE OF PAYMENTS

Perhaps I should say a word about the French West Indies, which are scheduled to receive, under the Senate Finance Committee bill, a quota for approximately 43,000 tons of sugar, and to receive this big bonus on all of it.

The amounts paid to the planters in these areas will be claims of the French Government upon the United States. We know very well what General de Gaulle will do. He will demand that the claims be paid in gold. The inclusion of the French West Indies would worsen our balance-of-payments position and adversely affect the gold flow.

Also the bill would include the British West Indies. The British West Indies, like the French West Indies, are included in the separate sugar plans of their respective countries. They also receive a bonus price on the sugar which Great Britain and France purchase from them. Great Britain and France do not give such bonuses to countries which are not colonial possessions or inside their respective spheres of influence. So, in effect, the Finance Committee, the administration, and the House of Representatives are proposing that we give large bonuses to the planters in these colonies, which bonuses are not reciprocated by the arrangements of those colonies, or the mother countries, and which are already the responsibility of Great Britain and France respectively. I do not see how any Englishman or Frenchman can legitimately object to this provision.

This is only a modest step in the direction of attempting to prune the parasitic arrangements which have fastened themselves around the sugar program. It is a far cry from the tremendous saving which we could make if we applied the domestic price strictly to all the 2,260,000 tons imported from countries outside the Western Hemisphere, and in the Eastern Hemisphere as well. It is only about one-fourth of that program. However, it is a beginning. It is an attempt to prune our responsibilities to our areas of greatest need.

I hope very much that Senators will read today's debate before a vote is had tomorrow. Unlike my colleague the junior Senator from Louisiana, I have greater faith in the reading habits of our colleagues than he has. I believe that the vast majority of the Senators read the RECORD.

I regret very much that the Senator has cast aspersions upon the reading habits of our colleagues.

The Senator from Louisiana previously tried to defend the lawyers and lobbyists and said that I was maligning their character because they were receiving checks from the planters in foreign countries.

I had no such intention. However, I rise to defend Members of the U.S. Senate from the reflection of the Senator from Louisiana that we do not read the RECORD. I say that is a libel on the good name of the U.S. Senate, unworthy of the great Senator from Louisiana, who is now the acting majority leader. I helped to elect him as majority whip.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. Madam President, if I said it, it was an honest statement, it was no effort to malign anybody. I suppose it was probably gaged by some of the experiences of this Senator in the Senate. On one occasion, the Senator from Illinois and I were holding the floor for about 3 days hand-running against a bill we thought was a very bad bill. One of the Senator's colleagues, who at that time was majority leader, said, in response to my point that we were making a wonderful record, "Senators seldom ever read the RECORD. About the only time Senators read the RECORD," he said on that occasion, "is to review their own remarks."

Mr. DOUGLAS. The Senator from Louisiana is making matters worse in trying to extricate himself from his base slander on the Senate. He is dragging in a former majority leader of the Senate, and impugning not merely the present Senate, but past Senates. I beg my colleague not to indulge in such comment.

Mr. LONG of Louisiana. Madam President, I dislike to damage one of our favorite myths, which has existed so long in this body. I was merely judging the Senate by myself.

Mr. DOUGLAS. I cannot believe it. I think the Senator from Louisiana does himself injustice.

Mr. LONG of Louisiana. I suppose the Senator is judging the Senate by himself. The Senator tells me that he reads the RECORD religiously, and never misses an issue.

Mr. DOUGLAS. Not religiously, but continuously.

Mr. LONG of Louisiana. I stand corrected. But let me say to the Senator that if I was in error in saying that practically all Senators read that which appeared in yesterday's RECORD, I apologize to the Senate. I did not know I was in error, and if I was in error it was merely in telling the truth as the good Lord gave me light to see it. Had I known myself to be in error, I should not have said that to the Senator. As I recall, when the matter came up, it was a matter of personal conversation between the two of us, and I had not particularly cared to destroy the myth that all Senators read everything that appears in the RECORD.

Mr. DOUGLAS. Madam President, since we have reached an agreement on

orderly procedure for tomorrow—for which I thank my good friend, the Senator from Louisiana—I yield the floor.

Mr. LONG of Louisiana. Madam President, in the hope that the Senator from Illinois is correct in his assumption that Senators practically always read the RECORD, I should like to respond to the Senator's argument and demonstrate in a small way why in my judgment the Senator is erroneous in the position he takes.

The Senator relies heavily upon the concept of a world market price. As a practical matter, the so-called world price for sugar is in fact a misnomer. If Senators will look at the sugar production of the world, they will find that each year, throughout the world, about 64 million tons of sugar are produced.

Of that 64 million tons, 48 million tons is consumed in the country where it is produced.

Mr. DOUGLAS. Madam President, will the Senator yield for a question? Let us get the figures straight. Does not the Senator's total include beet sugar?

Mr. LONG of Louisiana. Yes.

Mr. DOUGLAS. Beet sugar does not enter into international trade to any appreciable extent. What does enter into international trade is cane sugar. So it is not 6 out of 64 but 6 out of 16.

Mr. LONG of Louisiana. Madam President, beet sugar is not the 48 million tons. Beet sugar is only a part of the 48 million tons to which I refer.

Mr. DOUGLAS. How large a part?

Mr. LONG of Louisiana. It is a part. Only a small part; a small amount from France, a small amount from Belgium, and some from Ireland.

Mr. DOUGLAS. What about West Germany?

Mr. LONG of Louisiana. There is some beet production, not a great amount.

Madam President, I ask that the Senator's interruption appear at the conclusion of my remarks, and related to my presentation, so that my presentation may continue uninterrupted.

Mr. DOUGLAS. This has been good, but I did not want to have this error perpetuated.

Mr. LONG of Louisiana. We shall see if I am in error. I do not think I am. I think I am going to prove the Senator is in error.

Forty-eight million tons of sugar is consumed in the country where it is produced, and that is mostly cane sugar. That 48 million tons is produced for protected markets, subsidized and protected by the laws of those countries, just as we subsidize and protect our farmers.

For example, in this country, on our price for sugar, the subsidy works out to 6.5 cents. What we are paying foreigners for this sugar is about 5.7 cents, about eight-tenths of a cent below what we pay our people to sell their sugar. But the bulk of the sugar, 48 million tons, is produced by the people who consume it.

Ten million tons of the world's sugar is traded under special agreements. One of them is the Sugar Act which we are discussing now. Countries agree to sell us sugar, we agree to buy sugar, and we give them a price we think will permit

them to stay in business and not go broke. The price which we pay them is about 5.7 cents, and our experts tell us that they cannot produce it any cheaper than that, and sell it at a profit consistently. We do not want them to lose money producing sugar, because we want a dependable, reliable source for sugar, which will not be cut off in bad years or when they can sell it at a higher price somewhere else when sugar is scarce.

That takes care of 10 million tons. The remaining 6 million tons is what the Senator would like to regard as the world market for sugar, that is, the world dumping ground.

One-half of that, or 6 million tons, is produced in Communist countries, including Cuba, which is sugar produced for dollar exchange. Those Communist countries need dollar exchange.

The primary thing they would like to get in exchange for their sugar is American spare parts, not manufactured in the Soviet Union, to repair the American machines and American equipment in those American refineries that they have confiscated down there in Cuba. We do not wish them to have those parts. We would like to have those things they confiscated break down and not be repaired. We have gone to some effort to keep them from getting the dollar exchange, on the one hand, and the trade on the other, through the black market or in any other way, to be able to obtain spare parts to keep operating the American capital investments which they confiscated.

That leaves about 3 million tons of sugar that the Senator would like to regard as the world market. That 3 million tons is surplus sugar. No one has a contract to sell that sugar, no one has a customer to whom he can sell that sugar. It is sugar without a home, it is fugitive sugar, which, if a person can sell it, must be sold at a loss. The world market price for sugar is about 2½ cents a pound. This year it has been as low as 2 cents a pound. Testimony before our committee showed that it costs many a producer 5 cents a pound to produce it, even if he operates in a country like the Dominican Republic or Panama, where costs should be low.

No one will testify that anyone can produce sugar and make a profit at 2 cents a pound. No one will testify that anyone can sell it for 2½ cents a pound and make a profit. That is the world price to which the Senator has referred.

Mr. DOUGLAS. I must protest. I am not proposing that it be sold at 2½ cents a pound, but on a 15-year moving average, which is approximately 4.2 cents.

Mr. LONG of Louisiana. The Senator is retreating from his own argument.

So the Senator is now surrendering when he proposes to pick a price somewhere between the price we would pay and the current world market price. So he compliments the Senate committee by his amendment in suggesting that he would not wish Latin people to sell it at the world market price, because he knows that would be ridiculous. He now says that the world market price for 15 years, which is really taking the world market price and advancing it by 1 cent.

The Senator says that if we take out the 15-year average, including those years when the price of sugar went through the sky under the Douglas amendment, we will get a price which is reasonable. He believes that would be approximately correct, based on his logic and intention. He has concluded that would be a fair price for sugar.

Now that is what the Senator thinks. I do not know where he gets his economics, but he will not find a single witness to testify—at least, I have not found anyone who will—that 4.2 cents a pound would permit our trading partners in the world to make a profit.

This Nation does not care to trade with its trading partners on a basis that they could not make enough money to pay for expenses except by squeezing the lifeblood out of pitiful peons working in canefields. In trading with Cuba, we arrived at an agreement on price, under the Sugar Act which is now in existence. That was during the time when Cuba was almost entirely dependent upon the United States for everything it imported. That was the time when Americans used practically the entire production of sugar in Cuba.

From the time Cuba was taken over by the Communists, we said that we would let other friendly countries have the same arrangement we had the Cuba, when we felt a direct responsibility for that country's economy.

Thus, we permitted those people to trade for a price which was fair to us and fair to them. Those countries would like to continue to trade with us. They like the arrangement, and we like it.

We tried an import fee, as the Senator has stated. It was extremely unpopular. The countries felt that we were asking them to sell their sugar below the cost of production. We helped to stabilize the price of coffee as a result of the coffee agreement for which the Senate voted, although the Senator from Illinois opposed it. That was to see if the countries could make enough selling coffee to stay in business.

The President got the Latin-American Ambassadors to come to the White House to discuss the Alliance for Progress. They took beautiful color pictures. They talked about the fine efforts and achievements of the Alliance for Progress. Then, in the course of the discussion, we said that we were going to see to it that the so-called import fee of the Douglas amendment was eliminated. The President said this in the speech he made to the Ambassadors, which included every Latin-American country:

First, we must maintain our steps to prevent disastrous changes in the price of these basic commodities which are the lifeblood of so many economies. We will continue, as we did conclude in London, the operations of the Coffee Agreement and to search for ways to stabilize the price of cocoa. We will try to maintain regularly expanded markets for the sugar produced in Latin America and consistent with the CIAP recommendations, I will propose this afternoon that Congress eliminate the special import fee on sugar so that the fall price will go to Latin American producers.

I am sure that a part of the President's speech met with a vast ovation

from our partners in the Organization of American States. The President sent them all a picture. Here is one taken in the flower garden, with the President sitting with the senior members of the Latin American countries—the senior diplomatic delegates here, and the representatives of every Latin American country in the flower garden.

This document is beautifully printed in gold leaf, on beautiful white stationery of the finest quality, and inside are the pictures. I am sure that the Latin American delegates sent it to every friend they had in Latin America, including their President and their Congress, saying, "Look how well I have done with the President. We came down and explained our problem to him, how badly we were being treated under the Douglas amendment, and the President, thank the merciful Lord, is going to declare an end to that. Look how well the President is going to treat us. Look what a fine job we have done representing our country."

Notwithstanding the wonderful speech made by the President, notwithstanding the meeting at Punta del Este, where we said we were going to help them stabilize the price of their basic commodities, notwithstanding the beautiful pictures the President sent to the Latin American Ambassadors where he signed all these statements, the Senator from Illinois now suggests that we break our word and tell those people that we are going to get sugar from them at a price below their cost of production.

What could be more unpopular at a time when we are trying to get the OAS to uphold our hand and work with us as a partner to help solve the Communist problem in Cuba, and to help keep the Dominican Republic from going Communist, and then for Uncle Sam to be pictured around the world, even by our best friends and our usual traditional trading customers, as a sort of top-hatted, overnourished, wealthy man with a diamond stickpin in his tie, squeezing the lifeblood out of Latin American peons to make them produce and deliver sugar to him below their cost of living.

I believe that this would be the most unpopular thing that anyone could dream of. Yet the Senator suggested this idea to Thomas Mann, our former Ambassador to Mexico, who served at the State Department Latin American desk for a great many years and is a State Department expert on these matters. The Senator suggested that we squeeze this money out of the sugar producers and give it back to them as direct aid to their government under the Alliance for Progress.

Ambassador Mann said:

Senator, if I had my choice, I would rather have you take \$60 million of aid away from the Alliance for Progress countries than to try to pick up \$30 million this way. I think the injury you would do to the image of America, and to our good will, the friends you would lose would be so great and hurt us so badly that I would rather you took the \$60 million away from the Alliance for Progress countries than to make \$30 million by this scheme.

I am happy to say that the Senator has finally seen the light. So, he comes before us now and suggests that we no longer do this to our Latin American partners but take some other poor devil and do it to him. So, what have we to work on?

India is a very poor nation. We give them a large amount of foreign aid, recognizing the many problems they have. They probably are near the top of the list for aid. But when we had a shortage of sugar, and called on India to sell its sugar to us, India came through and delivered 230,000 tons of sugar when she could have made a better price to someone else. However, she delivered that sugar to us.

So here is a Senator who has made an outstanding record in voting against discrimination saying that, so far as the people in this hemisphere are concerned, let us give them a price that we think is fair, but so far as the Indians are concerned, let us take away from them the price they would have received if they had been able to trade with us in the normal way. We are going to pay them less than we pay the others.

The Senator's proposal would do that in spite of the fact that, since the enactment of the Sugar Act, we have committed ourselves to GATT, in which we stated that we would treat all favored nations alike; and India is one of them. We would be breaking our word under GATT, because we would be giving India a low price while a higher price is paid to the others.

What are some of the other nations that the Senator from Illinois would discriminate against? Australia is one of them. We are in a death struggle in Vietnam, trying to resist Communist aggression. One of the few countries which came to our aid in that struggle over there happens to be Australia. Australia even sent troops there, to fight and die alongside our troops. The people who would be favored by the Senator's amendment do not even have any representatives there, and I do not see why we should be paying them a better price than we pay to Australia, which happens to be one of our best friends.

The committee reduced the amount that was made available to the Fiji Islands. Those people acted magnificently at a time of sugar shortage. They could have made more money by selling sugar to someone else.

So here are the Indians—nobody could be poorer—and the Senator's amendment would take away from them to give to the Alliance for Progress. I am in favor of helping nations that are less better off, but if we are to have a foreign aid program, it does not make sense to tax the poorest people in the world under a foreign aid program in which to help people who are better off.

The Senator's amendment would place a tax on the Fiji Islands to help somebody who may be better off.

This amendment is a tax on farmers and laborers of Africa and India to benefit countries in Latin America. It is a tax the Communists can increase at any time it chooses by dumping the sugar on the world market, thereby forcing the

world price down, because the Communists have the sugar available to dump.

The proposal would eliminate any incentive a country would have to sell us sugar. This could lead to instability of our sugar supplies and could operate contrary to the long-term interest of our consumers.

It would not benefit consumers in this country. Prices would not be cut by reason of the recapture. They could well go up as instability of prices lead to shortages. Inasmuch as the money under the Senator's proposal would go into the Alliance for Progress, it would not benefit the taxpayers or the consumers.

The amendment would make the United States the only country in the world, so far as I know, that would force farmers and laborers of a large part of the world to accept a distress price for what they sell us while other nations pay a premium for their sugar.

Furthermore, the amendment would force planters in a large part of the world to cut the wages they pay their laborers in the sugar fields. They would have to do this to cut their costs of production.

This is essential because the world price is below the cost of production four-fifths of the time. Not even a 15-year average world price is sufficient to cover the cost of production.

The arrangement the committee has brought to the Senate was carefully studied by the administration. It has been studied down through the years. It has been studied by the industry. It is an arrangement which is advantageous to both sides. That, after all, is what we want to do. We do not want a deal that is good for us but bad for the other fellow, or vice versa. We should seek an arrangement that is favorable to both sides.

I would like to put into the RECORD a letter written by Mr. COOLEY to the Speaker of the House, Hon. JOHN W. McCORMACK. He explains in this letter why he thought that this proposed arrangement would be disastrous. He explains that he thinks the proposal for the import fee is illegal, immoral, and unsound economics, and why it would break faith with our commitments. He mentions the fact that it is opposed by Mr. Mann. He ends the letter with this paragraph:

This proposal for an import fee on sugar is illegal, immoral, unsound economics, an insult to our friends in Latin America, and would result in the eventual breakdown of our sugar program. I will not introduce a bill containing this proposal and if it is advanced I will do my utmost to defeat it in the committee, in the House, and in conference with the Senate.

I ask unanimous consent that the letter be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JULY 19, 1965.

HON. JOHN W. McCORMACK,
The Speaker, House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: In accordance with your request during our recent conversation, I am outlining herein my position on the proposed import fee on sugar.

1. In 1962, when amendment and extension of the Sugar Act was under consideration, certain persons in the Department of Agriculture and the Department of State advocated a variable import fee on all sugar entering the United States, except from the Republic of the Philippines. This fee would have assessed against imported sugar the full difference between the world price and the United States price—whenever the so-called world price is lower—thus removing any advantage to the exporting country of filling its United States quota.

2. This proposal ignored not only our posture of friendship for the Latin American countries which are our chief foreign suppliers but also the basic principle which has made our Sugar Act operate so beneficially for 30 years—that the higher price which may usually (but not always) be expected in the United States market is the incentive which causes foreign suppliers to ship to the United States year in and year out—whether world prices are higher or lower than our price—and assures U.S. consumers of ample supplies of sugar at stable and reasonable prices. If there is no price incentive in shipping to the United States, foreign producers will have no reason to favor this market over any other.

3. In spite of the fact that the persons originally advocating this proposal were not among the top officials of either of the Departments involved, their views (for reasons which have always been a mystery to me) became the administration's position and were espoused by spokesmen for both Departments before the House Agriculture Committee.

4. The proposal was unanimously rejected by the House Agriculture Committee and the House upheld our position.

5. In the Senate, however, the advocates of this variable import fee were able to sell a bill of goods and in conference (in order to have any bill at all—which was urgently needed) we were forced to accept a slightly modified version of this proposal.

6. The authority for this import fee expired on December 31, 1964, and we had hoped that (since the persons who had originally advocated it had now left their positions in both departments) there would be no request for its removal in the bill which the administration will send up this year.

7. I am now informed, however, that there will be such a proposal in this bill, differing in degree but not in kind from that advanced in 1962. It would impose an import fee of one-half of the difference between the world price and the U.S. price, up to a maximum of 1 cent per pound.

8. I wish to protest with all the vigor at my command against adoption by the administration of this position. It is illegal and immoral and can lead only to serious deterioration of friendly relations with our Latin American suppliers and to the eventual destruction of our Sugar Act.

9. It is in violation of the General Agreement on Tariffs and Trade (GATT). This was admitted by the acting legal adviser of the Department of State in a letter to me dated December 30, 1964.

10. It is in violation of the charter of Punta del Este, establishing the basis for the Alliance for Progress.

11. It is contradictory to the principles of the resolutions adopted unanimously by the United Nations Conference on Trade and Development on June 16, 1964.

12. It has been protested officially by the Organization of American States and by the sugar-supplying countries in that Organization.

13. It has been protested in an official communication to the Secretary of State by the President of the Inter-American Committee on the Alliance for Progress.

14. It is opposed by Thomas C. Mann, Under Secretary of State for Economic Affairs

and one of the foremost authorities on Latin American relations. (What forces in the State Department are strong enough to prevail over Mr. Mann's position?)

15. It would impose a tax on a primary export of the countries we are trying most to help which would have to be compensated fully, I assume, by further grants-in-aid out of the U.S. Treasury.

16. This proposal for an import fee on sugar is illegal, immoral, unsound economics, an insult to our friends in Latin America, and would result in the eventual breakdown of our sugar program. I will not introduce a bill containing this proposal and if it is advanced I will do my utmost to defeat it in the committee, in the House, and in conference with the Senate.

Sincerely yours,

HAROLD D. COOLEY,
Chairman.

Mr. LONG of Louisiana. What Mr. COOLEY said in effect was that this amendment could well mean that we would have no sugar program at all.

I have heard the chairman of the House Agriculture Committee maligned. I do not agree with those criticisms. In my judgment he is an honorable man. He has as much right to have his opinion as does any Senator, whether he agrees with it or does not agree with it. The logic of the letter makes sense—that the adoption of the proposal would not help the situation. It would hurt our image around the world. We would be better off to proceed on the basis that we were not trying to force people to sell sugar, or any other commodity for that matter, at less than its cost of production. We want to proceed on a basis that is mutually beneficial to both sides. People understand proceeding on that basis. We would like to pursue a program which would work to the advantage of ourselves, our new trading partners, and our old trading partners.

Furthermore, we would not want to embarrass the President by submitting a bill that carries with it a concept which he thinks is wrong and which would force him to impose a tax on people which he says he does not want to impose. He told the people of Latin America that he does not want a fee.

In addition, we are signatories to international agreements which provide that we will not discriminate. All nations that sell us sugar are to be treated alike under the most favored nation clause of GATT. They should not be discriminated against. They would regard us as a pretty poor trading partner and a pretty poor partner in defense of the free world after we had made a commitment and did not live up to it.

Those people would feel they had been pretty badly done in, and for good reason.

I know the Senator is sincere. Down through the years he has made speeches against the sugar industry and sugar production. He has argued that we should not produce sugar in this country.

If we are to have a sugar industry at all, it will not be because the Senator from Illinois wanted it that way. For a great number of years, the Senator from Illinois argued that this Nation should not have a sugar industry; that we should buy all sugar at world market prices from people who can produce

sugar cheaper than we can. We heard vestiges of that argument in his statement today.

The Senator has now retreated from that position. He now contends that there be an American sugar industry and that we shall be permitted to produce sugar, for which I am grateful.

If the Senator had his way there would not be a price for sugar that any producer could count on to permit him to make a living and to pay his expenses.

The Senator from Illinois fought for world market prices, but nobody can produce sugar and live on that basis. They would have to go out of business or else squeeze the blood out of the little peons to produce the sugar, based on the statement of the Senator.

I am happy to hear that the Senator has retreated from that position. We do not have to worry about that.

I am happy to hear that the Senator has retreated from that argument. He now proposes that we buy sugar at 1 cent above the market price. Now, he has retreated from the dump market.

I cannot understand why he arrives at the conclusion that the price we pay our allies around the world should be 1 penny above the dump market price. One would think that he would look at the cost of production, and the facts with regard to the cost of production.

If we allow these people to earn the cost of production plus a fair profit, the price that we believe would be right would be 5.7 cents, which is provided for in the bill.

What do the British think? They have never been known as being too generous as traders. Their price is above ours. But as the Senator pointed out, the cost on their market is higher and their price is about the same as ours. I have never known the British to be regarded as generous traders. They make a fair deal, but they do not give away what they do not have to.

What about the French? I understand that that figure works out to 5.8 cents, which is a little higher than ours. That is how they treat their colonies in the West Indies, Africa, and elsewhere. How about the French? They are paying higher prices than the United States is paying for sugar.

The Russians have never been known as the most generous souls on earth. As much as we decry the Communists, in dealing with Cuba, their price would appear to be 8 cents a pound. But, when there is discounted the fact that Cuba was taking in barter things from Russia that she might have bought cheaper in the world market, our people come up with the fact that the price appears to be about 6 cents a pound, which is about 5 percent above the price we propose to pay our trading customers.

I am informed that the Communist Chinese promised they would pay Cuba what amounts to the equivalent of 6 cents a pound.

We heard the discussion today with regard to what we would do if Cuba came back into the fold. Where would we find a market for Cuban sugar? It is interesting to note the price that Communists pay for it, which is above the

price that the Senator would have us pay, would put us in a bad light, making us the only major power having people sell sugar below the cost of production. The Senate committee wanted nothing to do with it. The chairman of the House committee wanted little to do with it. The House rejected it by an overwhelming margin after they had heard it discussed. The Committee on Finance heard these proposals. They rejected them by a considerable margin. I believe the Senate would not depart from a trade pattern which is good in dealing with nations.

Something has been said about sugar prices. Mr. President, every great nation protects itself on its sugar and seeks to guarantee its source of supply and to do a certain amount of producing itself.

When one looks at the price people pay for sugar in the world the U.S. price is not out of line. In fact, it is less than that of a great number of countries. The current price which the housewife is paying for sugar in the United States is 11.6 cents a pound. In West Germany the price is 14 cents a pound. West Germany has not been known as a generous trader. In Japan the price is 14.2 cents per pound. In France the price is 12.6 cents a pound. In Italy, the price is 16 cents a pound. In Holland, the price is 14 cents a pound. In Yugoslavia, the price is 13.3 cents a pound. In Belgium, the price is 13.9 cents a pound. In Sweden, the price is 15 cents a pound. In Switzerland, the price is 13.4 cents a pound.

Furthermore, while the Senator may think that the housewife is very much upset about paying 11.6 cents a pound retail, the fact is that the United States has enjoyed a very stable price on sugar.

I ask unanimous consent that table XV be printed in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE XV.—Retail price of sugar for selected countries arranged in descending order of total sugar consumption, Jan. 1, 1961–65
[U.S. cents per pound]

	1961	1962	1963	1964	1965
United States.....	11.9	11.6	11.8	14.1	11.6
United Kingdom.....	9.3	10.0	10.0	11.1	11.1
Brazil.....	4.5	5.0	5.0	6.1	6.1
India.....	10.5	10.0	10.2	11.6	(¹)
West Germany.....	12.9	14.0	13.9	14.1	14.0
Japan.....	18.7	18.4	18.7	22.0	14.2
France.....	10.5	11.8	12.3	12.6	12.6
Italy.....	15.4	15.0	14.9	15.6	16.0
Mexico.....	5.5	5.6	5.6	5.6	5.6
Poland.....	13.5	13.5	13.5	14.6	(¹)
Canada.....	9.6	9.0	10.3	17.9	8.8
Netherlands.....	11.7	12.2	13.7	13.9	14.0
South Africa.....	6.4	6.5	7.0	7.0	7.0
Australia.....	9.3	9.3	10.3	10.3	10.2
Yugoslavia.....	25.4	25.4	25.4	25.4	13.3
Belgium.....	13.0	14.1	12.7	12.5	13.9
Pakistan.....	17.0	14.1	15.3	17.1	18.0
Sweden.....	12.6	12.2	13.7	20.2	15.0
Hungary.....	20.2	20.2	20.2	20.2	(¹)
Peru.....	2.8	3.7	3.7	5.1	5.8
Switzerland.....	9.1	8.6	8.8	12.7	11.2
China.....	9.1	10.0	12.3	13.4	13.4
Simple average.....	11.8	11.8	12.2	13.8	11.8

¹ Not available.

Mr. LONG of Louisiana. Mr. President, although one may feel that the price of sugar could be less—and I doubt that it could be—I believe everyone will

agree that it is well to have a stable price for sugar. If one looks at the chart to which I have referred, he will notice that the price for sugar in the United States has been very stable.

In fact, about the only time when the price began to get out of line was when this Nation started the global quota arrangement, and began to depart from the dependable supply arrangement under which we paid a price at which sugar could be produced.

In that period we find that we paid as much as 14.1 cents a pound, during the shortage period, a price that the housewife resented.

We can guarantee a stable price and a reasonable price, and we can have good trading relations with all the world under the arrangement we have had.

I submit that this is a better arrangement—and, of course, experience has proved it—than under the various proposals that have been made. I submit that it would be disastrous to follow the proposals that have been made.

Mr. DOUGLAS. Mr. President, the Senator from Louisiana has made what seems on the surface to be a powerful argument. But if one examines it closely, he will find that it consists of sophism upon sophism and, I believe, certain alleged facts which are not in reality true.

FIGURES MISLEADING

Let me take up his first point, that the cane sugar which is traded in the international market is only a small fraction of the total supply of sugar that is produced and traded. He gives a figure of 64 million tons of sugar produced in the world, of which he states that 48 million tons are consumed in countries where the sugar is produced, 10 million tons are traded under special agreements, and 6 million tons are sold in the so-called free market for sugar, to which he attaches the opprobrious term of "dumping ground" or "distress sugar market."

It will be remembered that when I first interrogated the Senator from Louisiana, he admitted that almost all of the 48 million tons of sugar consumed in the countries where it was produced was beet sugar. Then he withdrew from that and said it was almost all cane sugar.

I think that a review, country by country, will reveal that it is almost all beet sugar. Great Britain is certainly one of the countries. Great Britain does not produce a pound of cane sugar so far as I know. It is all beet sugar, and sugar that is imported. It might be sugar that is traded under special agreements, and I think probably is, but it is not sugar that is consumed in the country where it is produced.

The British workman likes sugar in his tea and sugar in his cakes, and that sugar comes almost exclusively from cane, because beet sugar is seldom exported.

Mr. LONG of Louisiana. Mr. President, does the Senator from Illinois contend that there is any real difference between cane sugar and beet sugar?

Mr. DOUGLAS. No; I am merely saying that what the Senator from Louisiana calls dumping ground sugar, what I

call world market sugar, is a much larger proportion of that which is internationally traded than the Senator has assumed.

Mr. LONG of Louisiana. If the Senator from Illinois is not contending that there is any real difference between cane sugar and beet sugar—I contend that one cannot tell the difference; if one has two sugar bowls in front of him, he cannot tell the difference—what difference does it make what the division is?

Mr. DOUGLAS. The Senator from Louisiana is very adroit. I am trying to prove that sugar which is internationally traded, which is really world market sugar, is a much larger fraction of the total supply that is internationally traded than the Senator would say; and that the 48 million tons is primarily beet sugar produced at higher costs, with a series of protective tariffs, which enables it to be consumed at home, but not exported abroad. It is not cane sugar at all.

I know something about the sugar policy of Bismarck.

Mr. LONG of Louisiana. Can the Senator tell me what conceivable difference that makes. One cannot tell the difference between beet sugar and cane sugar. He will pay the same price for either one.

Mr. DOUGLAS. If the Senator will have a little patience, which I know is a little difficult to come by at a quarter to 6 in the evening, I will make this statement: The German people like sugar. They get it primarily from beets, the cultivation of which Bismarck encouraged back in the days of the old German empire.

Most of the 48 million tons is highly protected, high-cost beet sugar. The sugar that is internationally traded is not the 64 million tons, but the 16 million tons, 10 under "special agreements," and 6 in the free market. So instead of its being only 10 percent of the total world trade in sugar, it is approximately 40 percent of the trade in international sugar. Therefore, it is not merely a small remnant or a leftover; it is a portion of that which is world traded.

Mr. LONG of Louisiana. Would the Senator mind telling us what is the world production of beet sugar?

Mr. DOUGLAS. I am not quite certain. Since the Senator from Louisiana is an expert, will he tell us?

Mr. LONG of Louisiana. If the Senator will yield, I contend that it does not make the least bit of difference; but since the Senator proposes to advise the Senate that there is some difference between the two kinds, would he mind telling us how much beet sugar there is? He gave an overall figure on sugar production. How much of it is beet sugar?

Mr. DOUGLAS. I did not think the Senator from Louisiana would be guilty of such false logic as to include any highly protected beet sugar in the total volume of world trade, so I did not look up the figures on beet sugar.

Mr. LONG of Louisiana. I am sending for the figures now.

If the Senator will look at the table, as to which he made his speech, I do not

know why he would want to discuss it, unless he had his figures together.

Mr. DOUGLAS. The Senator's statement contains such an obvious fallacy that I could not help commenting on it.

Mr. LONG of Louisiana. Will the Senator look at the chart? It shows the amount of sugar in millions of tons. Forty-eight million tons were consumed in countries where produced. I did not say it was traded on the international market.

The next two words are "Protected Markets."

Mr. DOUGLAS. That is correct; beet sugar markets.

Mr. LONG of Louisiana. Also cane sugar.

Mr. DOUGLAS. Not much.

Mr. LONG of Louisiana. The Senator will be surprised how much there is.

Mr. DOUGLAS. How much cane sugar is grown in Italy? How much is grown in Great Britain? How much is grown in Germany? How much is grown in Scandinavia?

Mr. LONG of Louisiana. The answer is "none."

How much is grown in India?

Mr. DOUGLAS. I do not know.

Mr. LONG of Louisiana. All the sugar that is consumed in India is cane sugar.

Mr. DOUGLAS. The Senator from Louisiana proposes to take some of the sugar that is grown in India out of the mouths of Indian children and put it in the stomachs of Americans.

Mr. LONG of Louisiana. That is because India wants to trade its sugar for protein foods. So far as those people are concerned, it is sugar which could be sold, but most of it is consumed at home.

How much sugar is produced in Argentina? Argentina produces a large amount of sugar, and consumes a large amount.

Mr. DOUGLAS. How much beet sugar is grown in Pueblo, Colo.?

Mr. LONG of Louisiana. If the Senator desires to know how much is produced in the whole State of Colorado, the figure is much larger.

Mr. DOUGLAS. The Senator is responsible for his own chart. He can develop its meaning; I am not required to interpret it for him. If he has any doubt about his figures, let him explain them.

Mr. LONG of Louisiana. Will the Senator from Illinois explain to me what difference there is between beet sugar and cane sugar?

Mr. DOUGLAS. In terms of chemical substance, not much. However, concerning the proportion that the sugar freely traded on the world market forms, the total sugar on the world market is not six sixty-fourths. It is six-sixteenths, or approximately 40 percent, and not slightly less than 10 percent. That makes a big difference.

Mr. LONG of Louisiana. Mr. President, I suggest to the Senator that we produce both beet and cane sugar in this country. We sell both beet and cane sugar at the same price. If one were to put beet sugar and cane sugar in front of me, I would not know one from the other.

There was a time when there was a differential, but no longer.

WEATHER BROUGHT HIGH PRICES

Mr. DOUGLAS. That is the first sophism of the argument of the Senator from Louisiana. I shall take up another, which concerns whether the global quota system further increased the sugar prices in 1963 and 1964. We developed that point in the Committee on Finance. It has nothing to do with it.

What happened was that there was a bad beet sugar crop in France and West Germany because of the weather. There was therefore a demand for cane sugar from the tropics. That raised the price. It had nothing whatsoever to do with the import fee system.

Mr. LONG of Louisiana. May I suggest that it did.

Mr. DOUGLAS. The Senator may suggest it, but he cannot prove it.

Mr. LONG of Louisiana. I said it did.

Mr. DOUGLAS. The Senator from Louisiana has listened to too many fairy tales.

Mr. LONG of Louisiana. I have been told by people who possess knowledge of the situation.

Furthermore, under the global quota that the Senator advocated, and that I voted for at the time, people felt they would not get more, selling sugar to us than they would in selling it to anyone else. Others who were firmly committed to selling our sugar in our country quit selling it at a price that might be less than they might get from somebody else, because they saw the world market price skyrocketing. They felt that they did not owe us anything, and they did not.

Mr. DOUGLAS. May I state another sophism?

Mr. LONG of Louisiana. The Senator did not prove that to be a sophism, unless he is going to be his own judge.

HEADS I WIN—TAILS YOU LOSE

Mr. DOUGLAS. Not unless I follow the practice of the Senator from Louisiana, who applauds his own points.

The supporters of the Senator from Louisiana attack the idea of a world market price when it is below the American price, but, oh, how happy they are when it is above the American price, as it has been on a few occasions. How happy they were at the time of the Korean war when, for a brief time, world prices were above American prices. How happy they were in 1963 and 1964, when world prices were above American prices.

They only want to play a "heads I win, tails you lose" game when the world price is below the American price. But, when the world price is above the American price, they demand the world price. In other words, it is "heads I win, tails you lose" with the foreign sugar planters and their American exponents.

Mr. LONG of Louisiana. Will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. At the time when the world price went far above the American price, I was on the committee. I sat there and demanded that the representatives of the Department of Agriculture tell me, if they were going

to sign the contract to buy the sugar at a certain price from those people, why they did not write a provision into the contract to the effect that the other people would agree to deliver the sugar.

I said it was ridiculous to have a contract of that sort, agreeing to buy sugar, when the other man could not agree to sell it.

The Senator will notice that we have the Long amendment in the bill. I suggested that amendment, to provide that when we agree to buy sugar, the other fellow would agree to deliver it. The Senator voted for that.

Mr. DOUGLAS. I said that the foreign sugar producer accepted that when the world price was above the American price. I did not say that the Senator from Louisiana thought so. I did not necessarily include the Senator from Louisiana among the exponents of the foreign sugar producers.

I made that language vague and indefinite so that it would not bruise the sensibilities of my friend, the Senator from Louisiana.

Mr. LONG of Louisiana. It sounded as though the Senator included me in his statement.

Mr. DOUGLAS. I did not include the Senator from Louisiana. However, I did include some of his allies.

Mr. LONG of Louisiana. I am frank to say that I think we ought to make a bilateral contract to the effect that we agree to buy and the other fellow agrees to sell. We will agree on what the price will be, and no matter what the world market price will be, that is all they will get.

Mr. DOUGLAS. May I now proceed to the fourth sophism?

Mr. LONG of Louisiana. The Senator well knows that this bill has been amended with that in mind.

PROPOSING REASONABLE STABLE PRICE

Mr. DOUGLAS. Mr. President, I proceed to the fourth sophism of the Senator from Louisiana. He said that my price would not be a stable price. I point out that what I propose now is that they get a 15-year yearly average. What could be more stable than that? It would still take account of supply and relative demand.

I would establish an extremely stable price. The Senator from Louisiana would have a high price, probably stable, but high. I want it to be stable and fair, and the Senator from Louisiana wants it to be stable and excessive.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. Assuming that the people cannot produce the sugar for the price that the Senator proposes and they go out of business and sugar becomes in short supply, what makes the Senator think that the Nation can get this sugar at any price except the kind of extortion price that we had to pay back in 1964?

Mr. DOUGLAS. It is very easy to cry "wolf." I should like to know what price the various delegates to the Geneva Conference were advocating. Is it not true

that some people proposed a price of 4 or 4 1/4 cents?

Mr. LONG of Louisiana. I have no knowledge of that. Secretary Mann said that, from the best information available to him, it looks as though the cost of producing sugar in the Latin American countries would be about 5 cents, and 6 cents in the Dominican Republic.

Mr. DOUGLAS. That is a horseback opinion, not based upon any statistical study of cost. Which firm can we look to? Which types of plantations? Which types of sugar grinding mills?

Mr. LONG of Louisiana. I would assume that we would have to look at the production situation in more than one or two places. We could not accept those which are not sufficient. I hope to see some of the market afforded to the Dominican Republic. Their sufficiency is not as great now as it was last year. However, they may be able to improve it. I should like to let them have a profit also, in addition to their cost of production.

ONE-WAY ARGUMENT

Mr. DOUGLAS. I now come to the fifth sophism of the Senator from Louisiana, that this would be a violation of the GATT agreement because we would be paying different prices to different producers. We would be paying 6.8 cents to the Latin American producers, and only 5.3 cents to countries outside the Western Hemisphere. The Senator wishes that the countries outside of the Western Hemisphere would come up in price. He would not bring the prices of the Western Hemisphere down to that of the other countries. The Senator insists on bringing the price of the other countries up to the Western Hemisphere price of 6.8 cents.

Only a few days ago my distinguished friend stood on the floor of this body and put through the automobile treaty with Canada. Under the automobile treaty, Canada takes our automobiles and gives up a tariff, although she would not give up a tariff on the automobiles from any countries. We take our automobile parts from Canada and do not impose a tariff on them. It is a tariff situation mutually confined to the United States and Canada, and moreover is confined to identical manufacturers on both sides of the line. It is a clear violation of GATT. However, my dear friend the Senator from Louisiana stood here and defended it. GATT is appealed to when it means more money for foreign producers. The GATT agreement is violated when the Senator wants to have it serve that purpose.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. Mr. President, the Senator and his supporters at that particular time had a great deal of say about a little technical violation of GATT. That is all that would have been. We knew that we could get the parties involved to agree to it. The Senator is talking about discrimination against a great number of countries with whom we had actually made commitments.

Mr. DOUGLAS. It would not necessarily be a technical violation.

Mr. LONG of Louisiana. Our State Department says it is only technical.

Mr. DOUGLAS. Oh, the State Department. They can produce any argument they want, to justify any course that they take. They could have the wind blowing from the north one day, and the next day they will say, "Oh, it blew from the south." They produce arguments in great profusion to justify policies which they have already decided upon.

Mr. LONG of Louisiana. They proceeded to prove that nobody had been injured; and people can certainly show injury if we adopt the Senator's argument.

BRITISH AND FRENCH DISCRIMINATE

Mr. DOUGLAS. The British and the French do not abide by GATT, either, because they purchase from their colonial possessions at a higher price than they purchase from the world market.

So why does not the Senator from Louisiana insist on hauling Britain and France into GATT, instead of saying that we are going to be hauled into GATT? The argument of the Senator will be listened to with great interest by the British and the French.

Mr. LONG of Louisiana. Will the Senator concede that this is a violation of the General Agreement on Tariffs and Trade?

Mr. DOUGLAS. No more a violation than was the automobile agreement, and no more a violation than the British and the French are committing, without being hauled before GATT.

Mr. LONG of Louisiana. The Senator will find, if he studies the General Agreement on Tariffs and Trade, that the British and French are not in violation of it.

Mr. DOUGLAS. So the British say.

Mr. LONG of Louisiana. No; I believe he will find they do not violate it.

Mr. DOUGLAS. The Senator in one breath accuses me of trying to take economic resources from the peons of Latin America, and on the other hand, argues that in the amendment I have proposed, Latin America is going to get precisely what it would obtain under his bill.

But it is going to get something more: it will get an earmarked fund from the Alliance for Progress on the import fees collected from sugar derived from out-nomeric resources from the peons of Latin America more. But instead of limiting it to the big planters who are now the favorites of the U.S. State Department, we are going to try to build up the Alliance for Progress in accordance with the ideas of John F. Kennedy, and save something for the poor people of Latin America. There has been a degeneration of American policy in its attitude toward Latin American in the last 9 months.

Mr. LONG of Louisiana. Mr. President, will the Senator yield on that point?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. Is the Senator aware of the fact that the Latin American governments are not as backward as they once were? A number of those governments have passed laws re-

quiring sugar producers to share profits with their workers. Other countries have instituted minimum wages, which compel the producer to increase the price at which he was selling. In other countries, they have passed very liberal social security laws and other liberal benefits, as in the Dominican Republic. That nation can relate many of its problems to the high cost of production which followed higher wages and the necessity of providing greater benefits for workers and employees of the sugar companies. It was the efforts on the part of the Cabral government to eliminate some of the higher costs and some of the inefficiencies which accompanied those higher costs that, to a considerable degree, caused the downfall of that government. Under the Bosch government, as the Senator knows, many of the benefits were voted in, and when the successor attempted to get the cost down from 11 cents to around 6 cents a pound, his efforts were so unpopular that he was thrown out.

Mr. DOUGLAS. My friend the Senator from Louisiana, in the statement which he has circulated on the desks of all the Senators, says the adoption of the import fees "would make us what the Communists around the world have pictured us to be in their cartoons: A fat, rich imperialist, wearing a top hat, squeezing the life blood out of starving peons."

I point out that under the proposal which I have submitted, the wealthy in Latin America would still get their ounces or their quarts or their gallons of blood that the Senator would give them, but we are trying to get something more for the common people—\$20 million a year, roughly, for the common people, through the Alliance for Progress. That is sharing the wealth.

Mr. LONG of Louisiana. Does the Senator realize that the way he would obtain this wealth sharing is by squeezing it out of the poor Indians, squeezing it out of the Nationalist Chinese, squeezing it out of the Fiji Islanders and the South Africans—those poor Negroes down there in South Africa—and giving it to Latin Americans, many of whom are better off than they?

Mr. DOUGLAS. In Latin America, only a very few drops would fall from the mouth from Dives into the mouth of Lazarus. In Latin America, most of those gains would be kept by the wealthy planters and used for their own luxuries, in many cases sent abroad and deposited in Swiss banks. The poor would never see it.

The Senator has never believed in the trickle-down theory so far as this country is concerned. But now he is saying that the way to help the poor abroad is to gorge the rich abroad, in the hope that they will disgorge some of it and give it to the poor.

Mr. LONG of Louisiana. Mr. President, the Senator is about 20 years behind the times in the arguments he is making. Earlier in the day the Senator put into the RECORD the subsidies paid to the Hawaiian planters. The fact is that the planters do not get those subsidies. The ILU, that powerful international

union, drove a hard bargain with those people. Some of the producers are not even making a profit, while the laborers receive \$24 a day.

Mr. DOUGLAS. The Latin American workers do not receive \$24 a day. The people who have been in Latin America indicate they get somewhere between 80 cents and a dollar a day, at the peak of the cutting season.

Mr. LONG of Louisiana. And they would not be getting that much, had the Senator been able to prevail with his full program to cut the price even those nations are getting for their sugar. Those countries have passed laws and are passing laws now, to provide higher minimum wages, profit-sharing arrangements, and various other proposals to assure those laboring people that they will be taken care of.

There is no way by which we can see to it that the business people in Latin America pay their laboring people a decent wage for their labor, unless we hold the price high enough so that those people can make enough money to pay the labor.

Mr. DOUGLAS. That is not even true in a free society. It is much less true in a society where control of the rights of the working people is exercised by the planter aristocracy.

What the Senator is saying is that there is no further need for the Alliance for Progress, that everything is marvelous in Latin America, that we should enrich the wealthy and they will pass the money on to the poor. He is saying that the rich are so benevolent that they will do that.

It is like the argument of the old British colonials, and like the argument of the rich Latin Americans, who gamble great sums of money on the Riviera in places like Monte Carlo, and then say how good they are to the peons back home.

Mr. LONG of Louisiana. If those people are so powerful that they can exploit their laboring people, they must be in the position of controlling those governments, and if those governments are that corrupt—and I do not believe they are—then the Senator is making a bad mistake in paying any money to those governments.

Mr. DOUGLAS. If the Senator will join me, we will do exactly that. It is because of the Senator's intransigence that we are not able to do it. I am begging for a little money for the poor in Latin America. The Senator and the great forces behind him are saying they are not willing to show any mercy to these people.

Mr. LONG of Louisiana. The Senator from Illinois must realize that if the planters in any country in Latin America are so powerful that they are able to live in the lap of luxury—

Mr. DOUGLAS. Which they do, of course.

Mr. LONG of Louisiana. And make these fantastic profits, and are not willing to share their earnings and profits with their workers, that situation can be the result only of the tremendous power and control they have over their governments.

Mr. DOUGLAS. Through the military; yes.

Mr. LONG of Louisiana. Those governments have the power to pass laws to provide a minimum wage, to provide for a profit-sharing arrangement, and for taxing profits. If a government were so corrupt—

Mr. DOUGLAS. Not corrupt, but selfish.

Mr. LONG of Louisiana. If they are so selfish and greedy that they have little or no regard for the masses of the people, the Senator is making a mistake in suggesting that we pay any money to those governments.

Mr. DOUGLAS. I would like to apply the fee to all sugar importers. However, I have canvassed the Senate, and I find that I cannot get very far with such a proposal. Therefore, I am taking this mild step.

Mr. LONG of Louisiana. The Senator has not gotten very far with that program. The Senator started about 17 years ago by trying to put the Louisiana sugar farmers out of business.

We were to go out of business, and after we went out of business presumably we would have bought from Latin American countries.

Mr. DOUGLAS. They would have been able to produce a great deal of it.

Mr. LONG of Louisiana. At least, we are willing now for the Latin American countries to obtain a price that will enable them to earn a living, but now the Senator is proposing that we take other people who were friendly, helpful, and loyal to us in times when we called upon them to sell us sugar, and make them settle for a price less than their cost of production.

I submit that in a great many countries where the Senator's amendment would be applicable, he would be taxing some of the poorest people in the world such as the Indians and the Africans, in order to benefit Latin Americans.

Mr. DOUGLAS. The Senator is making quite a series of assumptions. He is assuming that the import fees would come out of the pockets of the poor and not out of the swollen income of the wealthy. It would be expended for the benefit of the poor in Latin America.

Mr. LONG of Louisiana. The Senator was in the committee room when I asked a witness from the Department of Agriculture if the Department was going to require these people to sell for a still lower price, below their price of production, and if they cut their price below the price of production where would the cut be taken from? His testimony was that the only place would be to take it out of the pockets of the working people by reducing their wages.

Mr. DOUGLAS. Take it out of the profits. Take it out of the rents. The Senator made the statement that this was immoral. What were the other adjectives?

Mr. LONG of Louisiana. I did not say it was immoral. Representative COOLEY wrote the letter in which he said it was immoral. I said that it would break our word.

Mr. DOUGLAS. The Senator implied that the State Department was bitterly opposed to it.

Mr. LONG of Louisiana. The State Department is opposed to it.

STATE DEPARTMENT SHIFTED

Mr. DOUGLAS. The interesting thing is that last December the State Department was in favor of it and remained in favor of it until this summer. The State Department was strongly in favor of it. The Department of Agriculture was also in favor of it. When I devised my plan of import fees, I consulted both the Department of Agriculture and the Department of State. They helped me work out the details. They were for the plan as late as last December. It was not immoral then. It was not a violation of international agreements then. No; that was their plan then. But, something happened.

Frankly, I believe that what happened was that Thomas Mann became Under Secretary of State and he has always been opposed to the plan. He has consistently opposed the plan. He helped defeat it in 1961. He was not around in 1962. But we passed it in 1962 with the help of the State Department. It was upheld on the Senate floor. The State Department wanted it passed then. There was an uproar on the floor of the Senate as I remember. I will not go into the nature of that uproar except to say that it met with great opposition from the planters.

Mr. LONG of Louisiana. I helped to pass the plan which the Senate put into effect. I regret to say that it did not work out the way we believed it was going to work out. In my judgment, it created a great deal of ill will in Latin American countries. They wished very much to be relieved of the import fee. Here is the document in which the President himself went on record against import fees.

Mr. DOUGLAS. The ill will came from the big planters.

Mr. LONG of Louisiana. It created ill will in Latin American countries.

Mr. DOUGLAS. The ill will came from those who, in general, come to this country as Ambassadors and Ministers representing their countries. They are the ones who give the cocktail parties, and so on. They are the ones who wear the long tail coats and the striped trousers and call upon the State Department. They are the "buddies" of our Foreign Service officers. They wield great influence. In spite of all that, the State Department held strong until this summer.

Mr. LONG of Louisiana. Mr. President, I regret that Representative COOLEY must be held up to censure in order to get this bill passed.

Mr. DOUGLAS. I have never held him up to censure.

Mr. LONG of Louisiana. Drew Pearson—

Mr. DOUGLAS. I like Mr. Pearson, but Mr. Pearson and I are not in partnership.

Mr. LONG of Louisiana. Drew Pearson said that the man should be censured. Many persons have criticized him viciously. A popular cartoonist has

drawn some of the most horrible cartoons depicting corruption about him, just by doing what that man thought he should do. I think he is an honest man.

Mr. DOUGLAS. Now the Senator is getting out his "crying towel." He is weeping into the "crying towel" because he says there are persons libeling Mr. COOLEY.

Mr. LONG of Louisiana. We all know that every Washington lawyer, even though he is completely legitimate in every way and has never been known to engage in any improper practice whatever, when he represents his clients, is sometimes held up to opprobrium and scorn. Then, some of us, because we represent States which produce sugar have felt some of the offshoot of that kind of criticism. However, I regret to say that now, even the President, in addition to these fine Ambassadors, have to be placed in the light that even they have no interest in the people they represent. I would hope that some day we could look upon this kind of legislation as being just what it is—

Mr. DOUGLAS. I hope so, too.

Mr. LONG of Louisiana. A vital adjunct to the Alliance for Progress—

Mr. DOUGLAS. A steal from the American consumer.

Mr. LONG of Louisiana. Mr. President, I deeply regret that the Senator takes that attitude.

Mr. DOUGLAS. I do not take the attitude that price supports on corn are a steal from the American consumer.

Mr. LONG of Louisiana. I do not, either. I think we should do everything possible to help the honest farmer try to make an honest living.

Mr. DOUGLAS. I do not take the attitude that price supports for wheat are of that sort.

Mr. LONG of Louisiana. I never have taken the attitude that the minimum wage law is a steal from the American consumer on the theory that he might get things a little cheaper if labor worked for reduced wages.

I am pained to hear anyone suggest that when a Senator stands on the floor of the Senate and tries to see that his sugarcane farmers and his sugarcane mills operate at a price which will permit them to stay in business, they are stealing from the American consumer.

Mr. DOUGLAS. Mr. President—Mr. President—

Mr. LONG of Louisiana. What about the high interest rates that benefit the high money market in the North?

Mr. DOUGLAS. Mr. President, I ask leave to withdraw the words "steal from the American consumer," and to substitute instead, "legal purloining of monetary purchasing power from the indigent."

Mr. LONG of Louisiana. I suggest that the Senator leave it the way it is. Let me say to my good friend from Illinois that I do not know why, when someone comes from a State which produces oil, he has to be placed in the category as though he were trying to do something criminal or corrupt simply because he tries to represent the legitimate interests of his people. Why should anyone representing a State which produces sugar, cotton, or any

other commodity for that matter, be held up as being something evil? The Senator does a magnificent job representing the State of Illinois and the people of his State.

Mr. DOUGLAS. Now the Senator is crying over the much abused oil industry, and I am going to give him a handkerchief into which he can shed his tears.

Mr. LONG of Louisiana. I thank the Senator.

Mr. DOUGLAS. It reminds me of the lines from Alice in Wonderland:

"I weep for you," the Walrus said:
"I deeply sympathize,"
With sobs and tears he sorted out
Those of the largest size,
Holding his pocket-handkerchief
Before his streaming eyes.

Mr. LONG of Louisiana. I regret to say that the profits of the oil industry are less than the average of those for all manufacturers. That is certainly true of the domestic oil industry. That is a very much misunderstood fact.

I have heard people say that because it does not pay as much taxes as it should, the oil industry is a highway robber. The fact is that the oil industry pays more taxes than do other industries, on the average. The oil industry pays a great deal more of local, State, and property taxes, than does average, overall industry. When one takes all those factors into account, the oil industry is a far heavier taxpayer.

The Senator from Illinois opposes the domestic sugar industry. I fear the fact that he has had little success in that opposition has led him to make his present proposal. I hope the Senator will not proceed to squeeze the life blood out of the Indians, the Fiji Islanders, the Negroes—

Mr. DOUGLAS. I offer the Senator a second handkerchief.

Mr. LONG of Louisiana (continuing). In order to take care of the Alliance for Progress. If we want to help the Alliance for Progress, let the people of this country do it. We can afford foreign aid, but the Indians cannot afford it.

The Senator from Illinois had made me several gifts of handkerchiefs. I do not need the gifts. I probably could do without them better than he. Instead of taking this money away from the starving Hindus, the Fiji Islanders, the Mozambiques, and other African people, the Senator would be in a better position to take these gifts and send them to India, the people who would be further impoverished as a result of the Senator's amendment.

Mr. DOUGLAS. Mr. President, this discussion has gone on long enough. Every time I show up one of the sophisms of the Senator, he slides off to another subject and ranges all over the world, and he has accomplished what my friend may have wanted to do in the first place, namely, to get the RECORD so cluttered up so that no Senator will be able to get any sense out of it and will miss the strong logical argument which I have made. So I postpone this discussion until tomorrow.

Very large amounts of money are at stake. We entered into the coffee agreement, which will mean a cost of tens of

millions of dollars a year. We will have the sugar agreement, costing many tens of millions of dollars. We have been warned that a cocoa agreement is coming. The burden of supporting the food prices of the world is too much for the United States to bear.

Mr. President, I yield the floor.

Mr. LONG of Louisiana. Mr. President, I started to take note of the Senator's speech by saying that the Senator was so generous in yielding to me that I do not think I would be justified in discussing the matter more than a few additional minutes.

I believe I started by saying that the world market that the Senator talks about is not really only 6 million tons, but the world market amounts to 58 million tons, which is produced and sold under the laws of the various countries which produce it and under international arrangements, such as our arrangement, and such as the British, French, and Russian arrangements. So the price is represented by the 58 million tons paid for by consumers all over the world, and not by the 6 million tons of dumping ground sugar that is properly the world price for sugar.

If one looks at the prices that the different nations that are large importing nations pay for sugar, the price is in line with what this country pays.

When the Senator from Illinois suggested that beet sugar had something to do with the matter, I say he was moving from sophistry to sophistry. He was not discussing the issue. Some farmers cannot produce cane sugar, but they can produce beet sugar, and there is a large amount of beet sugar produced in this country.

So while the Senator from Illinois has said that I moved from sophistry to sophistry, it seems to me he moved from fallacy to fallacy.

Then he proceeded to make the argument which suggested that the global price system would produce a higher price. It is basic to the law of economics—and the Senator from Illinois is an eminent economist; he was a professor of economics; it would be sophomore economics, or freshman economics at Louisiana State University—that if someone tries to buy something at a very low price, he cannot expect the person producing that product to continue to produce it. When that producer stops producing it, the supply becomes scarcer. When the supply becomes scarce, the price goes up. If the people cannot get enough of that product, the price skyrockets. That is what happened when we had a scarce supply before. It was not because of the price so much as the conditions of weather and the failure of the Communist sugar crop in Cuba. They were the main factors for the scarcity.

But people will not produce sugar if they are not paid a price that makes it worthwhile. I have known of producers who have had their people plow up the remaining stalks in the ground, which could have produced two or three more times, simply because there was no reasonable price and they were not making a profit. I have known of people who could have had two or three more

harvests out of the same seeds, but they simply plowed them up. They did not want to get into that production again. That is what would happen if we forced our trading partners to sell us sugar below the cost of production.

CHANGE OF CONFEREES—SHIPPING ACT AMENDMENT

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the junior Senator from Vermont [Mr. PROUTY] be substituted for the junior Senator from Colorado [Mr. DOMINICK] as a conferee on S. 2118.

The PRESIDING OFFICER. Without objection, it is so ordered.

DISPOSAL OF CERTAIN NICKEL FROM NATIONAL STOCKPILE

Mr. LONG of Louisiana. Mr. President, I ask that a message from the House on H.R. 10305 be laid before the Senate.

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H.R. 10305) to authorize the disposal, without regard to the prescribed 6-month waiting period, of approximately 124,200,000 pounds of nickel from the national stockpile, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. LONG of Louisiana. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SYMINGTON, Mr. CANNON, Mr. YOUNG of Ohio, Mr. INOUE, Mr. MILLER, and Mr. TOWER conferees on the part of the Senate.

RELEASE OF CERTAIN QUANTITIES OF ZINC FROM EITHER THE NATIONAL STOCKPILE OR THE SUPPLEMENTAL STOCKPILE, OR BOTH

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that there be laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to H.R. 9047.

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H.R. 9047) to authorize the release of certain quantities of zinc from either the national stockpile or the supplemental stockpile, or both, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. LONG of Louisiana. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SYMINGTON, Mr. CANNON, Mr. YOUNG of Ohio,

Mr. INOUE, Mr. MILLER, and Mr. TOWER conferees on the part of the Senate.

STATUS OF H.R. 7502 RELATING TO CERTAIN CASUALTY LOSSES ARISING AS A RESULT OF MAJOR DISASTERS

Mr. LONG of Louisiana. Mr. President, I thought it might be well if I made a statement as to my understanding of the status of H.R. 7502. As passed by the House, this bill dealt only with the treatment of certain casualty losses arising as a result of major disasters. Generally, the House bill applied to taxable years ending after November 30, 1964, in order to be sure and make provision for certain floods and storms in the Northwest occurring in December of 1964. In one minor area where this bill gave a more limited rule than under present law, the House bill provided that the amendment be applicable in taxable years ending after the date of enactment of the bill.

The Committee on Finance has made no change in this bill as passed by the House, but has added a series of other amendments to the bill. At the time the committee tentatively added these provisions, we thought that it would be possible to complete action on this bill this year. However, due to problems we have had with the Dirksen amendment, No. 426, relating to consolidated returns, the committee decided to postpone completion of its action on this bill until early next year. This was done without prejudice toward those provisions which had already been tentatively adopted by the committee and may still be adopted by the committee.

The committee also decided that in taking this action the fact that final action would not be taken on this bill until next year would not affect the effective dates of amendments already tentatively adopted by the committee this year. The committee is often reluctant to adopt retroactive provisions and had we merely postponed the action on the bill until next year, some might have argued that provisions which applied in 1965, for example, were retroactive. The point is, however, that had we been able to complete our action this year as initially contemplated, such amendments would not have been retroactive.

I thought it might be useful if I summarized my understanding of the effective dates of the principal provisions tentatively added to this bill by the committee for purposes of record.

One provision added by the committee to this bill dealt with recoveries of foreign expropriation losses. The effective date for this provision in most cases is for recoveries in taxable years beginning after December 31, 1964. However, one aspect of this provision dealt with the restoration of value of certain securities. This is the new section 80 which would be added to the Internal Revenue Code. This amendment is made effective for taxable years beginning after December 31, 1965.

A second amendment added by the committee relates to the deductibility of

assessments by soil and water conservation districts. This provision, in general, applies to amounts paid or incurred after December 31, 1963. It also applies to assessment payments made after December 31, 1960, and before January 1, 1964, if these assessments could have been paid in a series of payments after December 31, 1963, but only to the extent so payable.

A third amendment added by the committee enlarges the limitation on the 7-percent investment credit. The committee amendment provides that instead of \$25,000 plus 25 percent of tax liability in excess of that amount, the new limit is to be \$25,000 plus 50 percent of the tax liability in excess of that amount. In addition, the amendment extends the period over which the unused credit may be carried forward by regulated transportation companies from 5 years to 7 years. The 50-percent limit is to apply with respect to computations made in taxable years beginning on or after January 1, 1965. The amendment applying with respect to the investment credit carryovers will apply to computations made in 1965 and subsequent years even though the carryovers of unused credits may have arisen in the years 1962, 1963, or 1964. A special provision is also inserted which has the effect of providing that the 50-percent limitation and the 25-percent limitation will be prorated where the taxpayer's fiscal year straddles the January 1, 1965, date.

A fourth amendment added by the committee enables universities to treat for tax purposes, as if they were qualified plans, certain unfunded retirement programs for their employees where specified conditions are met. This affects the status of these plans for income, estate, and gift tax purposes. This amendment also makes sure that the 20-percent limit in present law applicable in the case of tax-exempt organizations take into account all of the pension payments which may be paid to a teacher or professor and not merely the funded portion. The income tax amendments made insofar as they provide more liberal treatment apply to taxable years beginning after December 31, 1964. Insofar as they restrict present law, the income tax amendments apply to taxable years beginning after December 31, 1965. The estate tax amendment applies to estates of decedents dying after December 31, 1964, and the gift tax amendments apply with respect to calendar years after 1964.

A fifth amendment added by the committee amends the Internal Revenue Code of 1939 to change the fraud penalty under the estate tax provision from "50 percent of the tax" to "50 percent of the deficiency." This will apply to all estates which were open in August of 1965.

The sixth amendment added by the committee provides that distributions made by a subchapter S corporation within 3½ months after the close of the corporation's taxable year are to be treated as if they had been distributed on the last day of the taxable year. This is designed to eliminate the "bunching" of income in a single year. This amendment applies with respect to all dis-

tributions made on or after the date of enactment of the bill. It also applies on an elective basis with respect to distributions made on or after January 1, 1965. Some consideration was also being given to applying this to certain earlier years.

A seventh amendment added by the committee also relates to subchapter S corporations. In general terms, it prevents a corporation from electing subchapter S treatment for 1 year, making a capital gains distribution in that year, and then reverting in the following year to ordinary corporate treatment. Under specified conditions, it provides for the imposition of the capital gains tax at both the corporate and individual level. The amendments made by this provision apply with respect to taxable years beginning after the date of enactment of this bill.

An eighth amendment added by the committee provides that certain proprietorships and partnerships electing to be treated like corporations can subsequently actually become corporations without the payment of capital gains tax on the appreciation in value of the property and without payment of a tax on the accumulated earnings. It also provides that subchapter R of the code which provides this treatment is to be repealed. The provision for converting one of these partnerships or proprietor-

ships to a corporation is to be effective with respect to transactions after the date of enactment of the bill. The repeal of subchapter R is to be effective on January 1, 1969.

A ninth amendment added by the committee provides that income derived from tangible personal property arising from the creative efforts of the individual involved is to be treated as earned income for purposes of the self-employed retirement provision commonly referred to as H.R. 10. This amendment is to apply to taxable years beginning after December 31, 1964.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that upon convening tomorrow and immediately after the prayer the time up until 9:15 a.m. be allocated for the transaction of routine morning business and that the statements made therein be limited to 3 minutes; that at 9:15 a.m. the junior Senator from Connecticut [Mr. RIBICOFF] be recognized and that the time up to 10:00 a.m. be allocated to the junior Senator from Connecticut [Mr. RIBICOFF]; and that at 10 a.m. the time limitation on the sugar bill previously agreed upon commence to run.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

COMMITTEE MEETING DURING SENATE SESSION TOMORROW

On request of Mr. MANSFIELD, and by unanimous consent, the Committee on the Judiciary was authorized to meet during the session of the Senate tomorrow.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that at the conclusion of the discussion and the vote on the sugar bill, the Senate proceed to the consideration of H.R. 11588, the supplemental appropriation bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT UNTIL 9 A.M. TOMORROW

Mr. LONG of Louisiana. Mr. President, in accordance with the previous order, I move that the Senate stand in adjournment until 9 a.m. tomorrow.

The motion was agreed to; and (at 6 o'clock and 35 minutes p.m.) the Senate adjourned, under the previous order, until tomorrow, Wednesday, October 20, 1965, at 9 a.m.

Calendar No. 895

89TH CONGRESS
1ST SESSION

H. R. 11135

IN THE SENATE OF THE UNITED STATES

OCTOBER 19, 1965

Ordered to be printed

AMENDMENT

Proposed by Mr. DOUGLAS to H.R. 11135, an Act to amend and extend the provisions of the Sugar Act of 1948, as amended, viz: On page 48, strike out lines 12 and 13, and insert the following:

1 SEC. 10. Section 213 of the Sugar Act of 1948, as
2 amended, is amended to read as follows:

3 “IMPORT FEES

4 “SEC. 213. (a) Except as hereinafter provided, as a
5 condition for importing sugar into the United States under
6 this Act from any foreign country, an import fee, computed
7 as provided in subsection (b), shall be paid to the United
8 States by the person applying to the Secretary for entry
9 and release of such sugar. Payment of such fee shall be
10 made in accordance with regulations promulgated by the

1 Secretary. This subsection shall not apply to sugar imported
2 from the Republic of the Philippines or from any country in
3 the Western Hemisphere (and other than any possession,
4 protectorate, or dependency of France or the United
5 Kingdom).

6 “(b) The import fee under subsection (a) with
7 respect to any sugar imported into the United States under
8 this Act shall be an amount (computed on a per pound,
9 raw value, basis) equal to the amount by which the domestic
10 price for raw sugar on the date of importation exceeds the
11 higher of—

12 “(1) the world market price for raw sugar on the
13 date of importation (determined by the Secretary and
14 adjusted for freight to New York, insurance, and customs
15 duties imposed by the United States), or

16 “(2) the average world market price for raw sugar
17 during the fifteen-year period preceding the year of
18 importation (determined by the Secretary and adjusted
19 for freight to New York, insurance, and customs duties
20 and import taxes imposed by the United States).

21 “(c) The import fees received by the Secretary under
22 subsection (a) shall be covered into the Treasury into a
23 special fund to be known as the Alliance for Progress fund.
24 There are authorized to be appropriated from such fund,

1 solely for the purposes of the Alliance for Progress, such
2 amounts as may from time to time be provided by appro-
3 priation Acts.”

Amdt. No. 474

Calendar No. 895

89TH CONGRESS
1ST SESSION

H. R. 11135

AMENDMENT

Proposed by Mr. Douglas to H.R. 11135, an
Act to amend and extend the provisions of
the Sugar Act of 1948, as amended.

OCTOBER 19, 1965

Ordered to be printed

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For actions of Oct. 20, 1965
89th-1st; No. 196

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HIGHLIGHTS: For highlights see page 5

HOUSE

1. AGRICULTURAL APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 8370, and acted on amendments in disagreement. Attached is a table showing the changes agreed upon. pp. 26742-7
2. MARKETING ORDERS. Concurred in the Senate amendment to the House amendment to S. 2092, to permit marketing orders for certain fruits and vegetables to provide for paid advertising. This bill will now be sent to the President. p. 26706
3. EDUCATION. By a vote of 313 to 63, agreed to the conference report on H. R. 9567, the aid to higher education bill. pp. 26706-30
4. RIVERS-HARBORS AND FLOOD-CONTROL BILL. By a vote of 221 to 139, agreed to the conference report on this bill, S. 2300. This bill will now be sent to the President. pp. 26730-41

5. BUDGETING. Rep. Halpern spoke in favor of a Joint Committee on the Budget. p. 26762
6. FARM LABOR. Several Representatives debated the termination of the Mexican farm labor program. pp. 26763-80
7. SUGAR. Rep. Hansen, Iowa, inserted his press release defending the House sugar bill. p. 26790
8. ELECTRIFICATION; AREA DEVELOPMENT. Rep. Dent inserted a statement by Pres. Drumm of West Penn Power Co. upon receiving the "E" Service Award from Secretary Connor for area development activity. pp. 26793-4
9. INVESTIGATIONS. The Rules Committee reported with amendment H. Res. 605, authorizing the Agriculture Committee to conduct studies and investigations relating to certain matters within its jurisdiction (H. Rept. 1180). p. 26808
10. TRANSPORTATION. The Interstate and Foreign Commerce Committee reported with amendment S. 1098, to insure adequacy of the railroad freight car supply (H. Rept. 1183). p. 26808
11. SUPPLEMENTAL APPROPRIATIONS. Received from the President a 1966 supplemental request for \$500 million for the Commodity Credit Corporation (H. Doc. 307). This item was considered as a part of the Department of Agriculture and Related Agencies Appropriation Bill, 1966, rather than in the Supplemental Appropriation Bill. p. 26807

SENATE

12. SUPPLEMENTAL APPROPRIATION BILL. Passed with amendments this bill, H.R. 11588 (pp. 26584, 26587-631). No changes were made in appropriations to this Department. (For a listing of the items see Digest 195) As passed the bill also provides \$70 million to the President to carry out the Hurricane Disaster Relief Act of 1965. House and Senate conferees were appointed on the bill (pp. 26781, 26630).
13. SUGAR. Passed, 69-16, with amendments H.R. 11135, the sugar bill. Agreed to an amendment by Sen. Morse to add quotas of 422 short tons each for Honduras and Bolivia, and a technical corrective amendment by Sen. Long, La. Rejected various amendments. Senate and House conferees were appointed. pp. 26560-83, 26730
14. DISASTER RELIEF. The Public Works Committee reported without amendment H.R. 11539, to provide assistance to Fla., La., and Miss. for reconstruction of areas damaged by the recent hurricane (S. Rep. 917). p. 26542
15. FORESTRY. The Interior and Insular Affairs Committee reported without amendment H. R. 797, to establish the Whiskeytown-Shasta-Trinity National Recreation Area, Calif., (S. Rept. 922). p. 26542
16. WATER. The Agriculture Committee reported an original bill, S. 2679, to amend the Watershed Protection and Flood Prevention Act, as amended (S. Rept. 921) (p. 26542). The "Daily Digest" states that this bill is in respect to "maximum flood detention capacity of watershed project structures" (p. D1041).

scout, Civil Service Commission Chairman John Macy to work with Poverty Boss Sargent Shriver on all future top-level appointments.

The other and more obvious reason for the President's wary words is budgetary. Rising costs of the Vietnam war are eating deeply into the annual \$7 billion increase in Federal revenues, leaving less than expected (and far less than the \$5 billion to \$8 billion estimated as needed) to finance Great Society programs without deepening the budget deficit.

GETTING TOOLED UP

"The important thing next year is to get these new programs tooled up properly," says a top administration official in close touch with L.B.J.'s thinking. "The President knows we're not going to have as much money as we'd like, but even more he knows that some of these programs—poverty, aid to education, medicare, the Department of Housing and Urban Development, and the rest—are going to fall on their face unless we get a good administrative structure and good people and proceed cautiously, both here in Washington and out at the local level."

Many White House men naturally turn skeptical when they hear the President take this tack and declare, as he did at his August press conference, that he will give Congress next year a legislative shopping list sufficiently short for the lawmakers to quit far ahead of the end of the fiscal year in June. They suspect that when the time for the state of the Union and budget messages rolls around in January, the President will want not only all the items that may be left over from this year—liberalized unemployment compensation, a higher minimum wage, and the rest—but also a raft of new ones.

"Will he settle for reorganizing and digesting and building slowly?" a White House aid asks rhetorically. "Hell, no. He'll want new ideas, a lot of them, and we better have them ready for him."

So the administration task forces are busy thinking up new ideas—ones that would entail big spending ultimately, even if small initial outlays. They are searching for new answers to urban congestion and decay, Negro unemployment and the breakup of Negro families, the pollution of air and water, and many other problems. Among ideas now under consideration, many of which will ultimately be rejected as too costly or impractical, are these:

A variety of make-work programs to give jobs to older unskilled workers, mainly Negroes; these might even include old-fashioned leaf-raking type projects under a new "beautification" label. Designation of pilot cities where massive grants of Federal funds may spotlight new approaches to urban rehabilitation. New Federal aid to States, cities, and private groups to push birth-control programs.

A requirement that States give aid to dependent children even where there is a breadwinner capable of working; few States now extend such aid, and many unemployed fathers leave home to enable the children to qualify for it. Added financial inducements to States to set up counseling services aimed at preserving marriages in poorer families.

A new approach to overseas farm surplus sales, with underdeveloped recipient nations required to use technical aid, fertilizer, and other U.S. help to increase their own agricultural output. New Federal aid for playgrounds, swimming pools, and other recreation projects in urban areas. Another increase in social security benefits.

Federal aid to local governments to raise police pay scales and to train police in community relations work. New plans to raise health standards of slum children, with greater emphasis on preventive care, including more mass immunization campaigns.

A program to help big northern cities build schools in new locations to reduce the de facto segregation resulting from segregated neighborhoods. Efforts to translate Great Society health, education, housing, and other programs into the international field, partly by bringing more foreign students and teachers to this country to get the necessary training.

One solution for the President's budgetary problems, some administration men suggest, may be to bear down heavily next year on legislation that requires little or no spending: Government reorganization proposals, a new transportation policy, and consumer protection bills such as the long-discussed truth-in-lending and truth-in-packaging measures. "If the program is rather sparse anyhow," a Presidential aid asserts, "these are good ones to throw in."

In a way, the current task force deliberations may mean more than did those of last year's pre-election and post-election era. For the members now are practically all Federal officials. In the summer and fall of 1964, the task forces consisted mainly of outsiders—men from universities, foundations, State and local governments, business, unions and farm organizations; Government officials served as staff helpers and in a few cases as members. After the recommendations were submitted, Government groups winnowed out the impractical ones.

INTRA-GOVERNMENT WORK

Now the chairmen of last year's groups are unofficial consultants, and members of those groups and other outsiders are called on for help as needed, but the major work is all intra-Government. Thus the present education task force is made up of Education Commissioner Francis Keppel, White House Aid Douglass Cater, Assistant Treasury Secretary Stanley Surrey, and half-a-dozen men from the Budget Bureau, Space Administration and other agencies.

Part of the task forces' problem is simply the wide range of legislation enacted during the past 5 years, using up not only many ideas that have been kicking around Washington for decades but even many dreamed up by the 1964 task forces. "In a few fields there are still task force proposals that may be useful," a Presidential aid asserts, "but in others, such as education, we've either already used or have discarded as impractical or too expensive just about everything the last task force suggested."

Though many administration men question how serious Mr. Johnson may be in his current caution talk, they concede there is some supporting evidence besides his words. Last year, after then Budget Director Kermit Gordon cut back substantially on agencies' fund requests for antipoverty, education, and other new welfare programs, Mr. Johnson cut still more deeply. "They can't spend that much money so soon," he asserted.

Now, accelerating spending for the Vietnam war tends to reinforce administration misgivings about a too rapid increase of money for recently enacted Great Society programs. For the past year or so, a decline in defense outlays has yielded much of the cushion for rising nondefense spending. Now, with so many new welfare programs on the statute books and demanding more dollars, the cushion is gone. Defense spending is rising rapidly and eating into the \$7 billion of extra revenue that Federal economists now count on getting each year from expansion of the national economy.

MILITARY SPENDING OUTLOOK

Even though much of the new military money voted by Congress will go for hardware that won't be delivered and paid for until after mid-1966, a lot will go for pay, food, ammunition, oil, and other items involving early expenditures. For this fiscal year, officials think a \$2 billion jump in actual military spending over the \$47.9 bil-

lion budgeted in January is quite likely. A larger jump is considered inevitable for the year starting next July.

Still, the President obviously wants a projected budget deficit for next fiscal year no bigger than the one for this year. That means that any increase in Great Society spending must come out of what is left over from the \$7 billion of expanded revenues after the increased military outlays are deducted, plus whatever can be saved from economies or cutbacks in older civilian programs.

No one has totted up the maximum possible cost of the Great Society in fiscal 1967—the total expense if all programs were allowed to expand to the maximum allowed by law; officials insist there are too many unknowns to permit such calculations. The general guessing, though, is that the Great Society could easily eat up an extra \$5 to \$8 billion of Federal money in the next fiscal year, if that much were available.

Thus budget pressures serve to strengthen the President's political inclination to go slowly. Nonetheless, the spending buildup may be enough to consume nearly all the prospective increase in Federal revenues, and it will be far faster than most Republicans and conservative Democrats would like.

Mr. KENNEDY of New York. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield to the distinguished junior Senator from New York.

Mr. KENNEDY of New York. Although I was not present during the entire speech of the Senator, I am familiar with the speech, as the Senator from Connecticut was kind enough to send me a copy before he delivered it.

The Senator from Connecticut is performing a major service for the Senate and for the country as a whole. He is eminently qualified to discuss this matter. The Senator has not only been the Governor of his State, but he has also been a member of the Cabinet in the executive part, in which post he demonstrated great leadership ability. He now serves in the legislative branch of our Government.

The Senator has put his finger on what will be a major problem over the next 5 years. We have passed a good deal of legislation which will have a great impact on all the citizens of the country. Unless there is coordination and unless we know in which direction we are going and what we are trying to accomplish, much of the effectiveness of the program will be lost.

The suggestion of the Senator, the effort that he is making, and his assuming the lead in this matter perform a major service for all the citizens of the country.

I should like to ask the Senator a number of questions in connection with this matter.

Mr. RIBICOFF. I shall be pleased to try to answer them.

Mr. KENNEDY of New York. The Senator spoke concerning education. Is the Senator aware that when the committee was having its hearing on the education bill, it requested the Secretary of Health, Education, and Welfare to furnish us with a list of the education acts and programs that are now in effect under the Federal Government alone, and that the Secretary furnished the committee a list of more than 200 different programs?

Mr. RIBICOFF. Yes. The extent to which education is spread throughout the Government causes me great concern.

I recall the interest the late great President Kennedy, under whom it was my great privilege to serve as Secretary, had in the subject.

When I told President Kennedy of my desire to become a Senator and mentioned to him some of the things that I would like to do, with a twinkle in his eye he said: "Well, ABE, when you get to the Senate, perhaps you can do something about education."

I want to do something about education. I believe that we miss the point when we talk about education and encompass only what is included within the Department of Health, Education, and Welfare or within the Office of Education. The Office of Education has responsibility for only a small part of the educational program of the United States. As a matter of fact, 42 different Departments, bureaus, and agencies of the Government, including Health, Education, and Welfare, have a part in the educational program.

This year alone, there is some \$4,100 million of new obligational authority for education. There is no question that this Congress has committed the country to a national effort and a national program on education. This is a beginning. It will become larger and larger.

People do not always understand me when I talk about the need for a Department of Education. They assume that I am criticizing the Department of Health, Education, and Welfare. I am not. When I talk about the Department of Education, it is not merely for the purpose of making the present Office of Education a Department of Education.

What I have in mind is eliminating the competitiveness, the overlappings, and the diffusion in the field of education throughout the entire Federal Establishment.

I believe that all students of education have been aware of this, as is the distinguished Senator from New York, who has served on a Senate Labor and Public Welfare Committee. We recognize that there is diffusion of our educational efforts throughout the Government.

Mr. KENNEDY of New York. Is it not correct that the kind of program and action suggested by the Senator from Connecticut would be an attempt to bring some order into all the existing programs?

Mr. RIBICOFF. The Senator is correct.

Mr. KENNEDY of New York. I should like to cover a few other points. Is it not correct that the responsibility for the construction of college dormitories rests not only in the Department of Health, Education, and Welfare, but also in the HHA?

Mr. RIBICOFF. The Senator is correct. Construction of college "housing" is in the housing agency—not in HEW. Here again we have diffusion. I am very much interested in seeing that both Senators from New York are on the floor. We discussed this particular matter

when we considered the bill to establish the Department of Housing and Urban Development. The two Senators from New York and I, in setting up a new Department of Housing and Urban Development, were putting a shiny new roof on and giving a more prestigious name to an already existing agency.

We contemplated that the new Department, in order to have any meaning and be effective, had to make a start toward centralizing all the problems which affect our urban society. We knew that merely establishing a Cabinet position would not solve the problem. I think the Senator's amendment to the bill is a beginning of that effort.

Mr. KENNEDY of New York. Mr. President, I do not want to take a great deal of time. However, this is an extremely important matter.

A number of Government agencies are concerned with and have responsibility in the field of transportation. Is there any coordination between those agencies and departments of Government which have a responsibility for depressed areas so that we may be sure that we know what they and the other agencies are doing?

Mr. RIBICOFF. There is not adequate coordination. There are eight different departments of the Government that have responsibility for a part of the transportation puzzle, and, to my knowledge, each is operating to a large extent in a vacuum. Not only are they inconsistent and competitive with one another, but also they are sometimes doing harm to one another. The field of transportation is so important that there must be a coordinated effort in the entire field.

Mr. KENNEDY of New York. I made an effort to obtain a list of some of the agricultural programs in existence in the rural areas in the State of New York. I asked the Secretary of Health, Education, and Welfare and the Secretary of Agriculture for a list of the programs which have an effect on community development.

Ultimately, we obtained a booklet. I believe that there is only one of these booklets. However, I thought it would be of interest. This booklet is published by the Office of Economic Opportunity. It is a catalog of the Federal programs for individual and community involvement.

This is merely a list. It does not give any real detailed information on any of the programs. It is merely a list of the programs that have an effect on community development in rural and urban areas.

Mr. RIBICOFF. For the purpose of the RECORD, I should say that that booklet is about 6 inches thick. If the Senator has a list which is that thick—which list the Senator has obtained in an effort to be helpful to his constituency—we can well imagine how difficult it is for people who must work in these fields to try to find out what is actually being achieved and accomplished.

This is another example of the problems facing us. It is another example of the work that must be done in both the legislative and the executive branches

of the Government. We must really go to work and do something in an effort to bring the organization of our Government up to date.

Mr. KENNEDY of New York. The Senator from Connecticut has performed a great service. I am very grateful to him for his speech. I know that I speak on behalf of all my colleagues.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that I may speak beyond 10 o'clock. I am limited, under the agreement, to 10 o'clock.

The ACTING PRESIDENT pro tempore. The Senator is asking unanimous consent that he may modify the unanimous-consent agreement to extend it for 5 minutes?

Mr. RIBICOFF. That is correct.

Mr. LAUSCHE. Mr. President, will it be limited to 5 minutes?

Mr. RIBICOFF. The Senator is correct. I do that because the distinguished senior Senator from New York wants to ask a question.

Mr. DOUGLAS. Mr. President, I do not object providing the full hour is preserved for debate on the amendment which I have submitted. I would not like to have the time which the Senator from Connecticut will consume charged against that hour.

The ACTING PRESIDENT pro tempore. As the Chair understands the unanimous-consent agreement, the full hour would be preserved.

Is there objection? The Chair hears none, and it is so ordered.

SUGAR ACT AMENDMENTS OF 1965

The ACTING PRESIDENT pro tempore. The hour of 10 o'clock having arrived, the Chair lays before the Senate the unfinished business, which the clerk will state by title.

The LEGISLATIVE CLERK. A bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The Senate resumed consideration of the bill.

A PERSPECTIVE ON REORGANIZATION

The ACTING PRESIDENT pro tempore. The Senator from Connecticut [Mr. RIBICOFF] is recognized for 5 minutes.

Mr. JAVITS. Mr. President, will the Senator yield? I shall use only a minute.

Mr. RIBICOFF. I yield.

Mr. JAVITS. Mr. President, I served with the Senator from Connecticut on the Government Operations Committee and congratulate him on the job he has done in pulling together the facts and figures to demonstrate the diffusion of responsibility in the Federal establishment on such important matters as education, transportation, and the other items he has mentioned.

What I should like to ask the Senator is this: In view of the fact that he has mentioned so many functions and demonstrated a diffusion of responsibility which is so very broad, does the Senator feel we ought to think, possibly, about a new commission for executive reorgani-

zation of the Federal Government, with a view toward tightening the lines of authority and control, much like the Hoover Commission of some years ago?

In other words, is the situation beyond the point where it can be dealt with by separate reorganization plans originating in the Federal Government? Do we really have to go at it in a massive way, is that the thrust of the Senator's view?

Mr. RIBICOFF. Basically, we should use the tools at our disposal. Reorganization plans are one method. We have given the President authority to submit them. But we need not sit and wait for plans to be sent us in order to act. Commissions, temporary in nature, such as the Hoover Commission and the Brownlow Commission which did excellent work, are really not the answer. The thrust of my speech today is that organization is a continuing responsibility of not only the executive branch but the legislative branch as well. When a new law is passed, establishing a new program, I think it is our duty, instead of creating a new bureau immediately, to ask ourselves, Can this program go into an agency that already exists? When the purpose of a program is gone, should its agency be continued, or should we eliminate that agency?

It is my feeling that while a commission could do excellent and outstanding work, we in Congress also have a responsibility, a continuing responsibility, and the President has a continuing responsibility. What I am pleading for is that we assume our continuing responsibility, not only for what has been done in the past and is being done in the present, but for the future, to bring some sense into this proliferating Federal establishment.

Mr. JAVITS. The Senator does not feel that the situation has reached the point where some broader commission approach is needed, which Congress could then implement, remembering that the Hoover Commission was a joint agency of the Congress and the executive department?

Mr. RIBICOFF. I would not be opposed to such a commission. I think a commission could do a useful job. I should certainly be in favor of considering establishing such a commission.

But in the meanwhile, I think there is much that can be done, that we can do and for which we must accept responsibility.

The senior Senator from New York is a most valued member of our subcommittee. Every time we have a meeting, his contributions show his commonsense, deep knowledge, and practicality. I feel that the Senator from New York, with the other members of the committee, can achieve much working in the committee; and I do not propose that we wait to get organized until a new commission is created.

I should like to see the Congress of the United States and our committee undertake this task as soon as we come back in January.

Mr. JAVITS. I thank the Senator, and I join with him in his views on both the work of the Congress and the sponsoring of a commission next year.

Mr. RIBICOFF. I thank the Senator very much; and I thank the Senator from Illinois for yielding.

SUBCOMMITTEE MEETING DURING SENATE SESSION TODAY

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Manpower Subcommittee of the Committee on Labor and Public Welfare be authorized to meet during the session of the Senate today.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUGAR ACT AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The ACTING PRESIDENT pro tempore. Under the order controlling time, who yields time? The Chair recognizes the Senator from Illinois.

Mr. DOUGLAS. Being somewhat overawed by the large numbers of Senators sitting in serried ranks about me, I open the debate on my amendment by saying that I intend to speak for 20 minutes, and then I hope that the majority whip [Mr. LONG of Louisiana], who is opposing the amendment, will take 20 minutes; that I will then take 5 minutes and he take 10 minutes, and that I be permitted to conclude the debate for the final 5 minutes. So I intend to speak now about 20 minutes.

Mr. President, this matter was very thoroughly discussed yesterday on the floor of the Senate. It takes up a great many pages in the CONGRESSIONAL RECORD, and I assume that one reason why other Senators are not present today is that they have been spending their time in their offices, reading the CONGRESSIONAL RECORD.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. I will yield on the Senator's time.

Mr. LONG of Louisiana. Fine; yield on my time.

May I say to the Senator that I regret that I am 5 minutes late, but I was here at 9 to open the Senate, and I had to leave the floor in order to talk with some of the technicians, to find out how completely in error the Senator is.

Let me ask the Senator—

Mr. DOUGLAS. On the Senator's time.

Mr. LONG of Louisiana. Yes; on my time. He says that his 15-year moving average works out to a price which he is willing to pay for sugar—

Mr. DOUGLAS. May I be permitted to develop my argument?

Mr. LONG of Louisiana. Hold on just 1 minute, and let me ask the question, because I am trying to understand the Senator's argument. I merely want his answer to a question.

Mr. DOUGLAS. On the Senator's time?

Mr. LONG of Louisiana. On my time.

Now, if I understand correctly, the Senator says that his 15-year moving

average price for which he thinks people should sell their sugar is arrived at by taking the prices that sugar has sold for on the world market during the preceding 15 years.

Are the figures to which the Senator is referring based upon the prices that are published in the Wall Street Journal as the Caribbean price for sugar?

Mr. DOUGLAS. That is my understanding.

Mr. LONG of Louisiana. After averaging that out, the price on the Caribbean market, over 15 years, does he arrive at 4.2?

Mr. DOUGLAS. 4.22.

Mr. LONG of Louisiana. 4.22?

Mr. DOUGLAS. That is correct.

Mr. LONG of Louisiana. Does the Senator realize that he overlooked two important factors?

Mr. DOUGLAS. What are those?

Mr. LONG of Louisiana. We do not buy the sugar there; we buy it here. So, if we are buying the sugar here, we must add the freight, and the tariff of .625 cents per pound.

Mr. DOUGLAS. If my dear friend the Senator from Louisiana had listened to what I was saying, he would have seen that I allowed for the tariff of .625 and the shipping costs of .50, making a total of approximately 1.25 which, added to the Caribbean price of 4.2, would come to a little less than 5.5, and effect savings, therefore, as compared to the present price, of 1.35 cents.

The trouble with the Senator is that he did not take time to understand what I was saying; he was so eager to refute it that he failed to understand it.

Mr. LONG of Louisiana. My impression is that what we are paying is 5.7, so, as I understand, the Senator is talking about a difference of 0.2 cents.

Mr. DOUGLAS. No; we are paying 6.85, which includes the 1.25. So we would pay 5.6, but that includes shipping costs, insurance, and tariff. I am not certain about the tariff, whether it includes the tariff. It does include shipping costs.

Mr. LONG of Louisiana. May I say to the Senator that if he wants to make everybody in the world sell sugar at the price he arrives at, he should know what he is talking about.

Mr. DOUGLAS. I am quite sure of what I am talking about.

Mr. LONG of Louisiana. The Senator just finished saying he did not know whether his price includes the tariff or does not, or whether it includes the shipping costs.

Mr. DOUGLAS. It does include the shipping costs.

Mr. LONG of Louisiana. As to the tariff, the Senator would not know?

Mr. DOUGLAS. Yes; it includes the tariff. The price includes the tariff.

Mr. LONG of Louisiana. The Senator is satisfied that it includes the tariff. Is that correct?

Mr. DOUGLAS. Yes. Is the Senator from Louisiana ready to come clean on what proportion of the 48 million tons of sugar produced in the domestic market is beet sugar? How much of that is beet sugar?

Mr. LONG of Louisiana. I would say to the Senator that when he raised the point I asked him if he knew.

Mr. DOUGLAS. Those were the Senator's figures, I remind him.

Mr. LONG of Louisiana. Yes.

Mr. DOUGLAS. The Senator produced them. He should be responsible for those figures.

Mr. LONG of Louisiana. I will send for the chart I used yesterday.

Mr. DOUGLAS. The Senator had overnight to study it. What are the results of his study?

Mr. LONG of Louisiana. Hold on a minute, please. Let me tell the Senator.

Mr. DOUGLAS. How much of that is beet sugar, and how much of it is cane sugar?

Mr. LONG of Louisiana. I said that 48 million tons of sugar was consumed in the country where it is produced. I was exactly right.

Mr. DOUGLAS. Yes; but under high tariffs that do not enter into the world trade. The total volume of the world trade is not 64 million tons, but 14 to 15 million metric tons or 16 million short tons. The 6 million metric tons outside the preferential system are 40 percent of the total, not 10 percent, as the Senator from Louisiana tried to palm off on us on the floor of the Senate.

Mr. LONG of Louisiana. Hold on a minute, please.

Mr. DOUGLAS. This is on the Senator's time.

Mr. LONG of Louisiana. Very well. I will do this on my time. This is the chart I used. This is what I said.

Mr. DOUGLAS. That is the same chart; yes.

Mr. LONG of Louisiana. I said 48 million tons of sugar was consumed in the country where it is produced. That is a protected market.

Mr. DOUGLAS. Yes; it does not enter into the world trade.

Mr. LONG of Louisiana. The Senator said that. Like both of his arguments, he told a half truth.

Mr. DOUGLAS. No, the Senator told a half truth.

Mr. LONG of Louisiana. The Senator should discuss the amendment on his time, not on mine.

Mr. DOUGLAS. Yes; that is correct.

The ACTING PRESIDENT pro tempore. All time is now coming out of the time of the Senator from Louisiana [Mr. LONG].

Mr. LONG of Louisiana. The Senator from Illinois gets up and states that I am in error because part of that 48 million tons is beet sugar. Therefore, I ask the Senator: What conceivable difference could that make? Beet sugar sells for the same price in the world market as cane sugar. It makes no difference whatever. Therefore, I ask the Senator from Illinois, since he made the point, to tell me how much of that 48 million tons is beet sugar. The Senator asks me that question. Let him tell me.

Mr. DOUGLAS. That is correct.

Mr. LONG of Louisiana. I do not know the answer because—

Mr. DOUGLAS. The Senator knows it now.

Mr. LONG of Louisiana. Hold on 1 minute. This is all on my time. I just said I do not know the answer and it could not possibly make any difference whatever.

Mr. DOUGLAS. It makes a great deal of difference, because the beet sugar is produced under high tariffs for domestic markets to keep out the cane sugar. The great volume of sugar traded in world markets is not beet, but cane, and the 6 million tons is out of the 16 million tons totally traded, 10 million under special agreements, notably with France and Great Britain.

Mr. LONG of Louisiana. The Senator from Illinois should be making these comments on his own time, not mine.

The ACTING PRESIDENT pro tempore. All this time is coming out of the time of the Senator from Louisiana [Mr. LONG].

Mr. LONG of Louisiana. I do not wish to discuss the amendment until I am through with my arguments, and then I shall be glad to yield to the Senator on his own time.

Mr. DOUGLAS. If he takes the floor away from me—

Mr. LONG of Louisiana. The Senator from Illinois yielded to me, and I asked that I be permitted to proceed on my own time, which request was granted.

Mr. DOUGLAS. The Senate usually follows the rules of orderly debate.

Mr. LONG of Louisiana. I would not do anything to offend the Senator from Illinois. I shall be very glad to respond to his questions when I am through. I shall be glad to yield to him at that time. I regret that I asked the question. Perhaps I should withdraw from any colloquy whatever.

Mr. DOUGLAS. "And with what measure ye mete, it shall be measured to you again."

Mr. LONG of Louisiana. I was trying to explain something—

Mr. DOUGLAS. The Senator can do it on his own time—go ahead.

Mr. LONG of Louisiana. The Senator from Illinois asked me a question and I was merely trying to explain to him something about it. If the Senator does not wish me to answer his question, I will not answer it. I shall wait until he is through, and then do the best I can.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Illinois will state it.

Mr. DOUGLAS. How much time have I?

The ACTING PRESIDENT pro tempore. The Senator from Illinois has 29 minutes remaining. He has used 1 minute. The Senator from Louisiana has consumed 7 minutes.

MODEST PROPOSAL

Mr. DOUGLAS. Mr. President, this is a very modest proposal that I am making. Yesterday, I showed that the American consumer is paying 6.85 cents for sugar produced at home which probably could be produced in the Caribbean or in Hawaii for somewhere between 4 and 5 cents a pound approximately, and that if added shipping costs and tariffs it would come to a little over 5

cents a pound and, therefore, we are paying a bonus of approximately 1½ to 1⅔ cents a pound on all sugar produced at home and abroad. This would come to approximately \$30 a ton on the nearly 10 million tons consumed, or total excess payments of approximately \$300 million coming out of the pockets of the consumers.

We all know that the beet and sugarcane interests are so deeply entrenched in this country, particularly in the Senate, that it is impossible politically to change the entire system, at least at present, until the consumers of the country become more aware of what is happening to them.

Therefore, as a practical measure, the most that could be done is in connection with the foreign quotas which amount to approximately 2,300,000 tons. Even on the 2,300,000 tons, with the excess payments of 1½ cents a pound, or \$30 a ton, the \$67 million excess payments coming from the American consumers to foreign producers which, in the majority of these cases goes to the rich planters of Latin America, means that this is a subsidy from poor Americans to rich Latin Americans.

Sugar is being eaten by the poor people and grown by rich Latin Americans.

Mr. LONG of Louisiana. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. On the Senator's time.

The ACTING PRESIDENT pro tempore. The Senator from Louisiana is recognized on his own time.

Mr. LONG of Louisiana. Does the Senator from Illinois make the same contention with regard to the coffee agreement?

Mr. DOUGLAS. Substantially the same. I voted against the coffee agreement.

This sugar subsidy is a big subsidy, but it is difficult to marshal public opinion when what is happening is that we take only a few cents away from the average American family. The subsidy seems so small, starting with only a small lump of sugar for tea or coffee, and then with each cookie, and then with each candy bar; yet, when these small amounts aggregate what 195 million people consume, it becomes a huge bonus, going primarily to a relatively small group of people who are already wealthy.

That is really what this issue is. It is really substantially what the coffee agreement is, and it may be what the coming cocoa agreement will be like.

LIMITED IMPOSITION OF FEE

Mr. President, I know how strongly "dug in" the Latin American sugar planters are in the State Department. I know how the cocktail lobby operates. I know how strongly they are "dug in" at the Agriculture Department. I know that they have great influence within Congress itself.

As I have done in past years, I should like to apply the import fee to all sugar coming into this country, but I recognize that it is a political impossibility in view of the strength of the sugar lobby.

Accordingly, I have come up with a modest proposal—extremely modest, I

believe; namely, that we place an import fee not on the total amount of sugar imported, but on the sugar imported from outside the Western Hemisphere, together with sugar imported from the British and French West Indies. The amendment would apply the import fee not to the 2,250,000 tons but to approximately 600,000 tons.

The import fee under my amendment would not consist of the difference between the present market price, which is 2.1 cents in the Caribbean, plus 1.1 cents shipping and tariff costs, for a total of 3.2 cents or 3.3 cents and the present 6.85 cents paid in New York. The difference, therefore, is not one of 3.5 cents a pound, or approximately \$70 a ton, but what I am choosing is the difference between the American price of 6.85 cents, which, incidentally, does include tariffs and shipping, and the 15-year average world price plus shipping and tariff, and therefore would be a net of approximately 5.7 cents. The 15-year moving average foreign price would be a difference of 1.5 cents a pound, or \$30 a ton. This would save, at present prices, approximately \$18 million a year, a small sum in comparison with the total losses of American consumers, and a small sum in comparison with the amounts which we pay in bonuses to foreign producers. But it is still something.

Very frankly, I think, in view of the power of the sugar lobby and of the sugar planters in the administrative branches of government and in the Congress of the United States, this is probably the most we can hope for at the present time; and it is certainly all that I propose. But it would be something.

WHAT AMENDMENT WOULD NOT DO

I point out that the amendment would not change the domestic allotments inside the United States, or to Puerto Rico or the Philippines.

It would not alter the allotments as between beet and cane sugar.

It would not reduce the domestic price of sugar.

It would not reduce the production payments to domestic producers.

It would not change any foreign quota allotments, whether inside or outside the Western Hemisphere.

It would not change the bonuses above the world price given in the countries in the Western Hemisphere, except in the case of the French West Indies and British West Indies, which are already included under the respective highly subsidized sugar plans of France and Great Britain.

WHAT AMENDMENT WOULD DO

But by collecting an import fee representing the difference between the high American price for sugar and the lower 15-year moving average of the world prices for countries outside the Western Hemisphere, and the French and British West Indies, the amendment would bring in from \$15 to \$20 million a year to the Treasury. This could be used to help the common people of Latin America, who receive so little from the present program, which goes over-

whelmingly to the rich planters, who spend it either in luxury or send it abroad for deposit in the Swiss and Parisian banks.

I am waiting for the Senator from Louisiana to tell us how large the world market is and how much of that is beet sugar which is destined almost entirely for domestic markets of the various countries, and not for export.

I challenge him to do that. We were going to get the figures overnight. I suspect the Senator has them somewhere about his person. I would really like to have that information produced for public inspection.

I am glad to yield now. I shall be glad to hear the salvos from our distinguished friend.

Mr. LONG of Louisiana. Mr. President, I yield myself 5 minutes.

It is a somewhat difficult and unpleasant task to speak for sugarbeet and sugarcane farmers. It has become an accepted fact that a Senator has a right to speak for cotton farmers, wheat farmers, corn farmers, feed-grain farmers, tobacco farmers, or any other kind of farmer, except a sugar farmer, without criticism; but if he comes from a State where sugar is a principal crop and speaks for the sugar farmers, immediately the question of sugar lobbyists comes up.

I must say that I am for the sugarcane producers, processors, and industry, because we produce quite a bit of sugar. I would be willing to help the sugarbeet industry even if we had no sugarbeet industry. I am for the farmer because he is the lowest subsidized person in this country. The Federal Reserve Board subsidizes bankers about 2 to 1 on interest rates. Various and sundry industries get by with private patents as a result of research paid for by the public and charge the public for the cost of research.

But when it comes to paying the farmer, when it comes to helping him make a decent living so he can have an electric light bulb in his home, I am for that. I am for the farmer being able to operate a raw mill. So if I am to go to jail for being for that, let them do it, but I hope they will let me finish my speech first.

I hope a certain Senator will pardon me for saying this, but he said:

I have not had occasion to have a single lobbyist call me, or a single ambassador.

He said:

I will admit that the sugarcane farmers have been driving me wild.

Let us remember that we encouraged sugar production. We called on them to produce more sugar when there was a shortage and the price went up. So we said we wanted more sugar produced, so that the housewife would not be victimized by high prices. So we put them in business. We have a law which is entirely different from every other agricultural law, which provides that not only can they not plant, but they cannot sell the sugar unless they have a marketing quota. Some of them borrowed

money under the Area Redevelopment Administration loans, and some of them are going bankrupt because they cannot sell the sugar under the law.

There are two sugar concerns in my State, one in bankruptcy and the other about to go into bankruptcy unless we pass this bill. There are 12 other concerns like that.

We are paying 5.7 cents for the sugar. That is the price. That is the price when the sugar is delivered to us here.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 5 additional minutes.

Those people bring the sugar here and sell it for 6.85 cents. That 6.85 cents includes 1½ cents, some of that additional cost being for the tariff and the rest for transportation. So we usually get it at around 5.65 to 5.7 cents.

We do not think the producers can produce sugar and make a profit by selling at a lower price.

Perhaps some people can produce sugar at 4.2 cents, but they have to ship it and pay a half to a full cent for transportation. That price would break some sugar producers.

I tried to point out yesterday that the so-called world market price is a myth, a phony, and a fraud. The Senator from Illinois admitted that. For example, the so-called world market is a dump price. It is the price one can pick up sugar for at Havana, Cuba, and represents sugar that no one needs. It is about 2.2 cents a pound at this moment. I assume the same thing would be true if sugar were being sold in the Dominican Republic by one who did not have a market.

I said yesterday that of 64 million tons, which is the whole world production of sugar, 48 million is consumed in the same country where it is produced. The Senator got up and said that this was erroneous and misleading, because some of that was beet sugar.

Mr. President, from the point of view of a sugar producer or consumer it does not make the least bit of difference on the world market. Beet sugar and cane sugar are identical. Nobody can tell the difference. Unless it were labeled, one would not know if it were beet sugar or cane sugar.

Down through the years the cane sugar producers were in business first and then the beet sugar producers started producing sugar. They had an inferior product, and their sugar sold for less than cane sugar. But now one cannot tell the difference. One is just as good as the other.

There is a slight price differential in this country, which is based on competitive factors and history, because historically people were accustomed to thinking of cane sugar as a better product.

They considered cane sugar to be slightly above beet sugar because people still have in their minds that cane sugar might be a superior product.

All that we produce is cane sugar, and I am here to admit that it is not better

than beet sugar. Nobody can tell the difference unless there is a label on the package.

Foreign countries found they had to have a greater supply of sugar. When Napoleon fought his wars, Britain imposed a blockade against him so he could not get sugar from the Colonies, one of which was Louisiana. They proceeded to develop sugarbeets. They could not get to it. The British Navy would sink their ships.

So, over a period of time, it came to the point where one was as good as the other. The price of beet sugar has as much to do with the world price as the price of cane sugar. A year and a half ago the price of sugar went to the ceiling, when we were operating under the Douglas global quota scheme. It went to the ceiling, not so much because of the Douglas global quota scheme, but because there was a crop failure in Europe which caused the crops to be bad, and the beet producers could not produce what they traditionally produced. That made prices rise high.

Considering the competitive factors involved, beet sugar is the same as cane sugar.

I asked the Senator a question last night and he did not know the answer. I did not know the answer. I could not get the answer until 9 o'clock this morning. The reason I could not, as I told the Senator from Illinois last night was that it does not make any difference.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 2 minutes.

Sugarcane is still the major source of world sugar, accounting for 54 percent of total production. Its importance, however, is continually diminishing. In 1963 and 1964, sugarcane as a world source of sugar, accounted for only 57.3 percent. In 1955 through 1959 it accounted for 59.1 percent.

The remainder is beet sugar, which is about 46 percent of the 64 million tons I have on the chart. Of the 6 million tons of sugar sold on the world dump market—which is what the Senator wants to base his price on—1¾ million tons, or more than 25 percent of that dump sugar, is beet sugar.

Beet sugar is 25 percent of the sugar moving on the world market and it is as good as cane sugar.

The people cannot produce sugar for the Senator's price. The Senator knows it, and he wants to rely on a price which is a disaster price. He does not know if he includes all the factors. He just told us he did not know whether it included certain items or not.

We know what 5.7 is. We know that is the price which the producer in Panama, Peru, India, South Africa, Australia, the Fiji Islands, and anybody who produces sugar should be able to sell at and make a profit.

That is the price we want to sell to them for. We do not want to make a contract with anybody that is not a good deal on both ends, certainly not if we do it by an act of Congress.

We want that price to include their price to produce plus a fair profit so they can stay in business.

It may be that in some countries—I suspect the Senator may be correct—there may be a situation that existed several years ago, in which rich planters made vast sums of money and did not pass on the profits in fair proportion to their cost to let their poor peons in the fields make a profit.

That is the entire idea of the Alliance for Progress. This Nation is putting pressure on our allies in the world to let the workers of their nations share in the benefits of capitalism, just as workers share in this country.

The Senator read into the RECORD yesterday something about producers in Hawaii. I would like to have the Senator from Hawaii listen to this.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 2 minutes.

The Senator read into the RECORD yesterday that some of the producers in Hawaii were receiving large subsidy payments. They were making a fortune, and the poor workers in the field were making practically nothing.

I would like to ask the Senator from Hawaii how much workers in the fields make in Hawaii.

Mr. INOUE. I am happy to reply to the question of the Senator.

The workers in Hawaii are the highest paid agricultural workers in the world. If fringe benefits are included, the gross take home per day would amount to \$24 a day for the fieldworker.

Mr. LONG of Louisiana. So the workers are now earning \$24 a day. Some of those whose names the Senator read lost money. They did not make a penny on that subsidy. The workers are receiving a high wage. It is not the person getting the subsidy. If he did not get the subsidy he would be out of business. Is that correct?

Mr. INOUE. The Senator is correct. In addition, our workers have medical benefits and dental benefits and other benefits under the workers' program.

Mr. LONG of Louisiana. I am happy to see that.

If the Senator from Illinois had been successful down through the years, instead of getting \$24 a day the workers would be getting \$12 a day because the Senator would cut the price in half, as we pay in this country. Instead of making \$1 an hour they would be making zero.

The same thing would be true in the States of Montana, South Dakota—

The ACTING PRESIDENT pro tempore. The Senator's time has again expired.

Mr. LONG of Louisiana. I yield myself 2 more minutes.

The ACTING PRESIDENT pro tempore. The Senator has 7 minutes remaining.

Mr. LONG of Louisiana. And also in California and anywhere else. If the Senator had been able to put over his full program, he would have put every

beet sugar farmer and every cane sugar farmer out of business. Thank the merciful Lord that he could not put over his whole scheme. Then he came along with the Douglas global quota scheme. He said it would do everyone good. What happened? The price of sugar went from 4 cents a pound to 14 cents a pound under his scheme. Everyone became angry, because they said to us, "You are exactly what the Communists say you are. You are a big fat man with a top hat, trying to squeeze the lifeblood out of people."

Representatives of Latin American countries came to talk with our President, and he sent a beautiful picture of them around the world and said, "We are no longer going to do this to you." He said, "We will give you a fair price for sugar."

As the Senator explained the other day, he would have broken that commitment made by the President of the United States. Thank the merciful Lord that he could not get away with it. The only reason he did not try to do it was because he knew he could not put it over.

Now he comes in with a world market scheme. He admits it is a phony, because he proceeds to add a penny on top of the world market price.

Theoretically, the world market price is a decent price. The only reason why it makes any sense at all is that when the Douglas global quota price scheme was followed, the price went through the ceiling, and people had to pay an outrageous, unreasonable price. In the 1 year of the ridiculous global scheme that the Senator from Illinois [Mr. DOUGLAS] had included in the Sugar Act, the price went through the ceiling. When we consider all the other years of the world global price, there was a disaster price. The disaster price makes little sense when we add in the 1 year when the consumer had a disaster under the Douglas amendment.

So the Senator now retreats from his so-called world market scheme and admits that the whole thing is a fraud. There is no logic or no merit; nobody can produce sugar that sells for 2.2 cents without going broke. So the Senator retreats from that position.

Now we come to the last stand of his particular argument. What is it? That this is a foreign aid program; a share-the-wealth program in reverse. I am an old share-the-wealth man myself; my daddy thought of that idea.

I am willing to vote any day to take some money from a rich man to help some poor devil who has nothing to hold hide and hair together. I have voted for foreign aid programs on occasions when I thought they made some sense. I am like the Senator from Illinois: If I think a program is taxing Americans to help some rich scoundrels in South America to get rich, I am against it. But if it can be arranged so that the rich people in this country will pay a tax to help some poor soul get into business and improve his condition, I am willing to vote for it.

But what does the Senator from Illinois want to do? He wants to tax the

poor Hindus in India. He wants to tax the folks in Nationalist China, one of our best allies. He wants to tax the poor natives in the Fiji Islands, some of the poorest people in the world.

The ACTING PRESIDENT pro tempore. The Senator from Louisiana has 3 minutes remaining.

Mr. LONG of Louisiana. I yield myself 2 more minutes.

The Senator from Illinois wants to tax the poor, ignorant Negroes. While he is a champion of Negroes in this country, he wants to tax the very last cent out of Negroes in Africa so as to enrich somebody in Latin America. The Latins do not expect it. If they thought that that was how they were going to be given aid, they would turn us out.

Our own Ambassador testified that he would rather spend \$1 in legitimate trade than \$2 in the Alliance for Progress. He is the man who has the responsibility for the operation of the Alliance for Progress.

AMERICAN CONSUMER PAYS THE BILL

Mr. DOUGLAS. Mr. President, we have all enjoyed the speech by our good friend from Louisiana, which has all the characteristics of the emotionalism of a revival meeting in the woods of his native State.

What the Senator from Louisiana is proposing is that the poor American consumer—the child who eats a 5-cent candy bar; the lumberman down in the turpentine woods of Louisiana, who puts a teaspoonful of sugar in his coffee cup; the switchman out on the railway, who drinks coffee to keep him warm in the morning—must pay tribute to the rich planters abroad.

The Senator from Louisiana proposes foreign aid, but foreign aid in reverse; foreign aid from the poor American consumer to the rich foreign planter. That is the proposal of the Senator.

Mr. LONG of Louisiana. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. I will yield on the time of the Senator from Louisiana.

Mr. LONG of Louisiana. How much would the Senator's amendment save the American consumer?

Mr. DOUGLAS. Twenty million dollars.

Mr. LONG of Louisiana. It would not save a penny.

Mr. DOUGLAS. It would save the American people \$20 million. The money could then be used to really help the people of Latin America.

Mr. LONG of Louisiana. The Senator is wrong, based on his own amendment; and I can show him.

Mr. DOUGLAS. The Senator will have to do it on his own time. Earlier the Senator from Louisiana had his figures confused. He spoke about a total world sugar production of 64 million tons. He did not say that they are metric tons. The figures generally used are in short tons. I have been using short-ton figures. So my good friend from Louisiana was not accurately informed about the figures he was using.

ONLY 17 MILLION TONS TRADED INTERNATIONALLY

I have been doing some research on this subject. The present world production in short tons is 70 million tons, and the total amount of sugar that crosses national lines is 17 million short tons. The remaining 53 million tons is produced and consumed inside the same countries.

Incidentally, of the 17 million tons, only 1,750,000 tons consists of beet sugar. This is the movement of beet sugar from Holland and Belgium into France and Germany, and vice versa. Seventeen million tons of sugar crosses national lines, and that includes French and British preferences. But no one preference amounts to 7 million tons.

So the dump sugar the Senator from Louisiana refers to, in his opprobrious language, amounts to slightly more than 40 percent—not 10 percent, not 5 percent, but more than 40 percent—of the world's effective supply of sugar which goes into international trade. That is an appreciable amount.

The Senator says that I am confused about the figures; that there is no difference between my total and what the total is now. If so, I do not know why he went into such a paroxysm of frenzy. But there is a difference. It is the difference of 1½ cents a pound. Let us take the computations in reverse fashion from what he gave. The 6.85 cents now paid will net foreign producers, after paying a tariff of 0.625 and 0.50, approximately 5.7 cents. The Senator from Illinois would propose to pay 4.2 cents, which would be a saving of 1½ cents a pound, or \$30 a ton. On the tonnage to which I apply this, around 600,000 tons, the total amount would be \$18 million. I would like to apply it to the full 2¼ million tons, and have us net roughly \$67 million. But the sugar lobby, which my friend from Louisiana tries to deny, but which is very powerful, has such a hold upon the administrative branches of our Government and upon Congress that I recognize that that is probably impossible.

CONSUMER SUFFERS

So I am confining myself to a very modest proposal; namely, to apply the difference between the domestic price of sugar—6.85 cents—and the 15-year moving average of the foreign price—4.2 cents—plus shipping, insurance, and tariff costs. I propose to use that as a basis rather than the current Caribbean price of 2.1 cents, or the delivered price of 3.2 cents in the United States. This would be a beginning toward reform. It would awaken the American people to what is involved—one of the most gigantic pickings of the pockets of American consumers that have ever been carried out. It is glossed over now in the name of altruism, foreign aid, our obligations to our allies, and the rest.

The Senator is saying that I was repudiating the administration. I am certainly not doing so. I am a very strong supporter of the administration. I think that my record in the past as to votes in

support of the administration has been somewhat better than that of the Senator from Louisiana on crucial issues. However, I do use discriminatory judgment in voting. I believe that I am right.

STATE DEPARTMENT SHIFTED

The State Department thought I was right last December. The Department of Agriculture thought I was right last December. It was some time during the winter, spring, or summer, that they changed. I do not try to single out anyone for opprobrium. I think they changed when Mr. Mann was made Under Secretary of State for Economic Affairs. I am trying to save this administration from itself.

This is not an isolated occurrence. A few months ago we passed the Coffee Agreement, which I think is susceptible of inflicting great abuse on the American consumer.

The Senator referred to the Cocoa Agreement. I do not think it is possible for the United States to hold up the raw material price of the world to the American level. It is hard enough to hold our own domestic production to their current levels. Great weaknesses are developing in our farm program. However, to attempt to take an inflated domestic price and try to hold the world price up to that level is really more than we can assume.

We are already in great trouble. I am trying to right the tremendous amount of trouble that we will get into.

Mr. INOUE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am on limited time. However, I yield.

Mr. INOUE. I note that in the bill all foreign suppliers are required to give written assurance to the Government on or before December 31, 1965, that they would furnish the specified quota at our price.

Mr. DOUGLAS. The Senator is correct. The Senator from Louisiana had that placed in there. He deserves great credit for that.

Mr. INOUE. Would the Western Hemispheric countries which are covered by the agreement, and also the British and French possessions, be required to give such assurance?

Mr. DOUGLAS. They would not be required to do so. It would be at the 15-year average market price.

Mr. INOUE. I do not believe that the amendment of the Senator provides for that.

Mr. DOUGLAS. I believe that it does. It would not change that provision. That provision would still stand.

Mr. INOUE. If the provision would still stand, would the people receiving this quota on sugar be required to furnish sugar to our country at the world price?

Mr. DOUGLAS. There would be no obligation to furnish it at the American price.

Mr. INOUE. However, there is an obligation to furnish it at the world price.

Mr. DOUGLAS. If they want to do so.

Mr. INOUE. So they are not obligated to sell it to us.

Mr. DOUGLAS. The Senator is correct. I do not believe they are. They can accept or reject the quotas.

Mr. INOUE. How would the Senator assure our consumers of a stable quantity of sugar all the time?

Mr. DOUGLAS. In only 4 years out of the last 15 years has the world price risen above the American price. If the world price rises above the American price, we will pay the world price. We will abide by the market. We put a floor on the price, but not a ceiling.

Mr. INOUE. Is it not true that at the present time the so-called world price is less than the cost of production?

Mr. DOUGLAS. No one knows. I think it is a very low price. It is 2.1 cents in the Caribbean. I would not like to continue with that price and my amendment does not do so.

Mr. INOUE. Does the Senator feel that these countries would furnish sugar to the United States at a price lower than their cost of production?

Mr. DOUGLAS. I think they will furnish sugar at 4.22 cents a pound, which is 2 cents a pound above the world price.

Mr. INOUE. I thank the Senator.

SUMMARY OF AMENDMENT

Mr. DOUGLAS. Mr. President, let me summarize what my amendment would and would not do. My amendment would impose an import fee only on sugar coming in from countries outside the Western Hemisphere and the British and French protectorates inside the Western Hemisphere.

This fee would be based on the difference between the 15-year average world price—presently 4.22 cents, plus shipping and tariff—and the presently highly subsidized American price of 6.85 cents.

This difference would amount to 1.5 cents a pound, or \$30 per ton, on approximately 600,000 tons of the total of 9.7 million tons allocated in the bill.

This would bring into the Treasury approximately \$18 million a year.

These funds would be authorized to be used for the Alliance for Progress. The money would therefore be used for needed schools, roads, and other projects in Latin America.

The amendment provides that, if world prices are higher than the 15-year moving average, world prices shall be paid. That is an answer to the question I have just been asked.

The 15-year moving average world price to be paid would, therefore, be a stable price—which covers 40 percent of the world sugar internationally traded—but would reflect, over a time, changes in the price of sugar. This would create a relatively stable price.

NO SPECIAL OBLIGATION OUTSIDE WESTERN HEMISPHERE

My amendment is based on the premise that, while we have some special economic obligation to independent countries inside the Western Hemisphere—although altogether too much of this goes to the top dogs, and all too little to the underdogs—we have no such special economic obligation either to

countries outside the Western Hemisphere, or to the British and French protectorates or dependencies inside the Western Hemisphere which are already taking part in the highly subsidized programs of the British and the French.

The amendment would not change the domestic allotments inside the United States, or those to Puerto Rico and the Philippines. It would not alter the allotments as between beet and cane sugar.

It would not reduce the domestic price of sugar. It would not reduce production payments to domestic producers. It would not change any foreign quota allotments, whether inside or outside the Western Hemisphere.

It would not change the bonuses above world price given to the countries in the Western Hemisphere, except in the case of the French West Indies and British possessions in the Caribbean. Those countries are already included under the respective sugar plans of France and Great Britain.

But by collecting an import fee equal to the difference between the high American price for sugar—6.85 cents a pound—and the lower 15-year moving average of the world price for countries outside the Western Hemisphere, and the French and British West Indies—plus, of course, tariffs and shipping costs—it would bring in from \$15 to \$20 million a year to the U.S. Treasury.

HELP COMMON PEOPLE

This could be used to help the common people of Latin America who receive so little from the present program, which goes overwhelmingly to the rich planters who largely spend it either in luxury or send it abroad for deposit in Swiss and Parisian banks.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, how much time have I remaining?

The ACTING PRESIDENT pro tempore. The Senator from Illinois has 7 minutes remaining.

Mr. DOUGLAS. Mr. President, I yield to the Senator from Ohio.

Mr. LAUSCHE. Mr. President, has the Senator given consideration to whether his proposal for dealing differently with the imposition of an import charge with nations in the Western Hemisphere as distinguished from those in the Eastern Hemisphere, might violate the favored-nations provisions?

Mr. DOUGLAS. I do not believe it would, because this has been a gratuity which we have granted. I do not believe it is necessary to universalize the gratuity. Furthermore, a treaty was recently put through by the administration—and the Senator from Louisiana supported it—to render preferential treatment between the United States and Canada on automobiles and automobile parts, for which we are now asked again to make an exception. This is an argument which they produce out of their hats when they want to turn something down. However, it is an argument which they disregard with respect to the policies which they want to establish.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. SYMINGTON. Mr. President, I congratulate the Senator from Illinois for the studies he has made on this bill. Why does the Senator stipulate, in his amendment, that this money be assigned to the Alliance for Progress?

AMENDMENT WOULD HELP POOR OF LATIN AMERICA

Mr. DOUGLAS. I wanted to make it clear that we wanted to help the poor people of Latin America.

The Senator from Louisiana attacked the proposal on the ground that it would be taking something away from the poor people of Latin America. However, it would not do anything to Latin America. It would not even seek to remedy the conditions inside of Latin America. It would not be appropriate. It would merely authorize.

Congress can appropriate if it wishes to do so. However, I wanted the word to go out that this was not an abandonment of the Alliance for Progress.

When we introduced the measure a few years ago, the Latin-American planters flew up here in airplanes. The skies were black with planes bringing planters here. Many lobbyists and lawyers descended on Congress and on the State Department. They said: "You are hurting the poor people in Latin America."

I went to Latin America a few days afterward. I found that my name was a hissing byword there. It was said that I was trying to take something from the peons of Latin America. Actually, I was trying to cut the big gains made by the large planters.

I wanted to make it crystal clear that this was not a measure against the peons of Latin America. It was not directed against the poor. It was merely intended to help them, because we heard the Senator from Louisiana charge me with grinding the faces of the poor. I wanted to make it clear that this was not so.

The ACTING PRESIDENT pro tempore. The Senator has 2 minutes remaining.

Mr. DOUGLAS. I am ready to yield back the remainder of my time.

Mr. LONG of Louisiana. I should like to use my 2 minutes.

Mr. DOUGLAS. Then I do not yield back my time.

Mr. LONG of Louisiana. The Senator has admitted that his amendment would not save the consumer a penny. He has admitted it. He seeks to extract the money from one poor man and give it to another poor man. He wants to take it from the Fiji Islanders and from the Indians, and give it to the Latin Americans. This is a matter of robbing Peter to pay Paul. Paul does not expect it, and Peter will hate us for it.

This scheme will not save American consumers a red penny. It does not help anyone.

Furthermore, the amendment is immoral and contrary to our international commitments. Let me read what happened in 1964. The Senator had this global quota scheme. He said it would save us \$124 million. It saved us \$4 million. Do Senators know why? It was because we could not collect any

more because prices went through the ceiling.

Mr. DOUGLAS. It saved \$41 million. Mr. LONG of Louisiana. We collected \$4 million. The price went from 4 cents to 14 cents a pound. Housewives were screaming.

Mr. DOUGLAS. On my own time, I say we saved \$37 million.

Mr. LONG of Louisiana. I know it is tough to take, but I wish the Senator would listen to me. Why did we dispense with that scheme? At a time when we were paying 5½ cents for sugar, we went to the General Agreement on Tariffs and Trade with these underdeveloped countries. We were trying to keep those countries from going Communist.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 1 minute on the bill.

Mr. DOUGLAS. Does the Senator have the time?

Mr. LONG of Louisiana. Yes, I have the time on the bill.

We were trying to keep those countries from going Communist. I have in my hand the contract we negotiated at GATT in November 1964. I will read some pertinent parts of it. The amendment would break the contract in five or six places. I will read this pertinent part from the contract:

PART IV—TRADE AND DEVELOPMENT

Article XXXVI

Principles and Objectives

1. The contracting parties,

(a) Recalling that the basic objectives of this agreement include the raising of standards of living and the progressive development of the economies of all contracting parties, and considering that the attainment of these objectives is particularly urgent for less-developed contracting parties;

(b) Considering that export earnings of the less-developed contracting parties can play a vital part in their economic development and that the extent of this contribution depends on the prices paid by the less-developed contracting parties for essential imports, the volume of their exports, and the prices received for these exports;

(c) Noting, that there is a wide gap between standards of living in less-developed countries and in other countries;

(d) Recognizing that individual and joint action is essential to further the development of the economies of less-developed contracting parties and to bring about a rapid advance in the standards of living in these countries;

(e) Recognizing that international trade as a means of achieving economic and social advancement should be governed by such rules and procedures—and measure in conformity with such rules and procedures—as are consistent with the objectives referred to in this article;

(f) Noting that the Contracting Parties may enable less-developed contracting parties to use special measures to promote their trade and development;

agree as follows.

2. There is need for a rapid and sustained expansion of the export earnings of the less-developed contracting parties.

3. There is need for positive efforts designed to ensure that less-developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development.

Article XXXVII

Commitments

1. The developed contracting parties shall to the fullest extent possible—that is, except when compelling reasons, which may include legal reasons, make it impossible—give effect to the following provisions:

(a) Accord high priority to the reduction and elimination of barriers to products currently or potentially of particular export interest to less-developed contracting parties, including customs duties and other restrictions which differentiate unreasonably between such products in their primary and in their processed forms;

(b) Refrain from introducing, or increasing the incidence of, customs duties or non-tariff import barriers on products currently or potentially of particular export interest to less-developed contracting parties; and

(c) (i) Refrain from imposing new fiscal measures, and

(ii) In any adjustments of fiscal policy accord high priority to the reduction and elimination of fiscal measures,

which would hamper, or which hamper, significantly the growth of consumption of primary products, in raw or processed form, wholly or mainly produced in the territories of less-developed contracting parties, and which are applied specifically to those products.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. LONG of Louisiana. I yield myself 1 more minute.

The Senator's amendment would break that treaty with Australia, whose men have been fighting side by side with our men in Vietnam; it would break that treaty with India, which we hope to keep from going Communist; it would break that treaty with every friendly nation in Africa; it would break that treaty with those who have sold sugar to us in times of scarcity, when they could have sold at higher prices elsewhere, when we were calling on them for help. This robbing Peter to pay Paul scheme would break that treaty all around the world. That is what the Senator's amendment would do.

DOUBLE STANDARD ARGUMENT ON GATT

Mr. DOUGLAS. Mr. President, I should like to point out that I do not think this is a violation of GATT, but if it is a violation of GATT, then the British and French are also violating GATT, because they are paying a higher price to their associated nations and colonies than they do to the world market. Therefore, if they hale us into court, we will hale them into court.

Furthermore, the Senator from Louisiana has once again shed tears for the Melanesians of the Fiji Islands. The sugar in the Fiji Islands is owned by one Australian corporation; so what the Senator is shedding tears for is that big Australian corporation.

Mr. President, the Senator recognizes that there is a difference in saving of about 1.5 cents, or \$30 a ton, in my proposal as compared to his, and that this would net the Treasury \$18 million. I hope a large part of that, or all of it, would be used for the Alliance for Progress.

Congress need not appropriate the money. This is merely an authorization. What the Senator is trying to do is

perpetuate the abuses of the present scheme, and not allow any change in it whatsoever. The present scheme is that where the high cost of producing domestic beet and cane sugar necessitates a domestic price of 6.85, we bring the whole world up to that level, though their production costs are lower.

That system has gone too far. We have trouble maintaining farm prices inside this country. To maintain raw material prices over the entire world, and to take the responsibility of keeping those prices up to a high level, is more than the shoulders of Uncle Sam can bear.

Mr. LONG of Louisiana. Mr. President, I yield myself 1 minute on the bill.

Mr. President, I want the Senators to hear what the Senator from Illinois said earlier today. The tariff of sugar is 6¼ cents—

Mr. DOUGLAS. The Senator implies that the tariff on sugar is 6¼ cents? It is five-eighths of a cent. Is not the Senator wrong about that?

Mr. LONG of Louisiana. 62.5 cents a hundred pounds. That is what it is.

Mr. DOUGLAS. Oh. That is quite a difference.

Mr. LONG of Louisiana. That is what I am talking about. That is a great deal of difference.

This is what the Senator said earlier in the debate:

I am not certain on the tariff, whether it includes the tariff—

"It" meaning the Senator's amendment.

It does include shipping costs.

The Senator admits that he does not even know what his own amendment is.

Mr. LAUSCHE. Mr. President, may I have 2 minutes on the bill?

The ACTING PRESIDENT pro tempore. The Senator from Louisiana yields 2 minutes to the Senator from Ohio.

Mr. LAUSCHE. Yesterday I offered an amendment, which was agreed to, granting the Malagasy Republic, or Madagascar, a quota of about 7,000 tons. The House quota was slightly less than that. The committee recommended no quota for Madagascar.

My question is, If the Douglas amendment is adopted, will Madagascar have to pay an import duty on the sugar that we get from it?

Mr. President, I ask the question because Madagascar has been our friend in the African area. We have bases there for our Navy, going in and out, and for satellite tracing. That country has been our friend; it has refused to follow the course of nonalignment adopted by other African nations. It has aligned itself with the United States.

Will the Senator answer my question?

Mr. LONG of Louisiana. The answer to that is "Yes." The same would be true for the Fiji Islands, with which the same problem exists, and for every other friendly nation in Asia and Africa.

The ACTING PRESIDENT pro tempore. All time has expired. The question is on agreeing to the amendment of the Senator from Illinois [Mr. Doug-

LAS]. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Indiana [Mr. BAYH], the Senator from Tennessee [Mr. GORE], the Senator from Oklahoma [Mr. HARRIS], the Senator from New York [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], and the Senator from Rhode Island [Mr. PELL] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Idaho [Mr. CHURCH], the Senator from Indiana [Mr. HARTKE], the Senator from Georgia [Mr. RUSSELL], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from New York [Mr. KENNEDY], the Senator from Rhode Island [Mr. PELL], and the Senator from Georgia [Mr. RUSSELL] would each vote "nay".

On this vote, the Senator from Oklahoma [Mr. HARRIS] is paired with the Senator from Indiana [Mr. BAYH]. If present and voting, the Senator from Oklahoma would vote "nay" and the Senator from Indiana would vote "yea".

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] is absent on official business.

The Senator from Iowa [Mr. MILLER] is absent by leave of the Senate.

The Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are necessarily absent.

If present and voting, the Senator from Iowa [Mr. MILLER], and the Senator from Texas [Mr. TOWER] would each vote "nay".

The result was announced—yeas 23, nays 62, as follows:

[No. 290 Leg.]

YEAS—23

Bartlett	Hart	Pastore
Boggs	Javits	Proxmire
Case	McGovern	Smith
Clark	Mondale	Symington
Dodd	Morse	Williams, N.J.
Douglas	Morton	Williams, Del.
Fulbright	Nelson	Young, Ohio
Gruening	Neuberger	

NAYS—62

Aiken	Hickenlooper	Montoya
Allott	Hill	Moss
Bass	Holland	Murphy
Bennett	Hruska	Muskie
Bible	Inouye	Pearson
Brewster	Jackson	Prouty
Burdick	Jordan, N.C.	Randolph
Byrd, Va.	Jordan, Idaho	Ribicoff
Byrd, W. Va.	Kennedy, Mass.	Robertson
Cannon	Kuchel	Russell, S.C.
Carlson	Lausche	Saltonstall
Cotton	Long, La.	Scott
Curtis	Magnuson	Simpson
Dirksen	Mansfield	Smathers
Dominick	McCarthy	Stennis
Eastland	McClellan	Talmadge
Ellender	McGee	Thurmond
Ervin	McIntyre	Tydings
Fannin	McNamara	Yarborough
Fong	Metcalfe	Young, N. Dak.
Hayden	Monroney	

NOT VOTING—15

Anderson	Harris	Mundt
Bayh	Hartke	Pell
Church	Kennedy, N.Y.	Russell, Ga.
Cooper	Long, Mo.	Sparkman
Gore	Miller	Tower

So Mr. DOUGLAS' amendment was rejected.

The PRESIDING OFFICER (Mr. INOUYE in the chair). The bill is open to further amendment.

Mr. McCARTHY. Mr. President, on behalf of the Senator from Kentucky [Mr. MORTON] and myself, I offer an amendment, send it to the desk, and ask that it be read.

The PRESIDING OFFICER. The amendment offered by the Senator from Minnesota will be stated.

The legislative clerk read the amendment, as follows:

On page 33, beginning with line 1, strike out all that follows up to line 4, on page 34, and insert the following:

"(3) For calendar years after 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For Cuba, 57.77 per centum of such amount.

"(B) For other foreign countries, 42.23 per centum of such amount, the quota for each foreign country to be an amount which bears the same ratio to 42.23 per centum of such amount as the amount of sugar imported from such country during the years 1960-1964, inclusive (with double weighting for the year 1964) bears to the total amount of sugar imported from all such other foreign countries during such years."

On page 34, beginning with line 7, strike out all that follows up to line 4, on page 35, and insert the following:

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries on the basis of the quotas in effect for such countries under subsection (c) (3) (B)."

On page 36, lines 5 and 6, strike out "the other countries listed in subsection (c) (3) (A)" and insert "other foreign countries".

On page 36, line 7, after "countries" insert "under subsection (c) (3)".

[Make conforming cross reference changes in section 4 of the bill.]

The PRESIDING OFFICER. Who yields time?

Mr. McCARTHY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. McCARTHY. How much time have I?

The PRESIDING OFFICER. Thirty minutes.

Mr. LONG of Louisiana. Mr. President, would the Senator mind explaining his amendment briefly? I understand he has sent for material. I shall be glad to speak in the meantime, after

his explanation. If the material is not here by then, we can have a quorum call taken from the time of our side.

Mr. McCARTHY. Mr. President, as Senators know, I offered the amendment in committee. I offer it on the floor in behalf of the Senator from Kentucky [Mr. MORTON] and myself.

The Senator from Kentucky also offered an amendment or proposal in the committee which would have based the allocation on the 1962 importation of sugar.

The formula which I used in a sense is an arbitrary formula, but it is based on the historic record of shipments into this country.

My formula takes the years from 1960 through 1964 and uses the average which each country shipped to this country during those years, with this addition: it gives double weight to the shipments in 1964.

With respect to the administration formula, insofar as they had a formula—at least they began with the formula—the main determination was based on deliveries in 1963 and 1964. But they gave double weight to 1964 imports.

My formula takes into account that disposition on the part of the administration to recognize those countries that responded during the acute sugar shortage in 1964, for a double weight. In addition it counts 1960, 1961, 1962, and 1963, as single years to be included in determining the quotas for 1966 and the duration of the bill.

In my opinion this is a fair formula. It takes into account the historic record of 5 critical years in the sugar industry. It in no way reflects the influence of lobbyists this year or last year.

Perhaps in 1962 the lobbyists' influence may have had a bearing on what happened. But it discounts the effect of the lobbyists on the sugar program this year.

The formula provides a good substitute for the administration formula, if that were applied, and a good substitute for the House bill, which used a base formula for a beginning, and then departed arbitrarily in many directions.

I believe that what would result from this formula would be satisfactory to the Senate and leave us free of any charge of favoritism or other charges, since the previous 5-year imports are used as the base on which the foreign quotas should be assigned.

I ask unanimous consent to have printed in the RECORD a table showing the sugar quota for foreign countries which would be in effect under the administration proposal, the House bill, and the amendment which Senator MORTON and I are offering.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Sugar quotas of foreign countries¹ when sugar requirements total 9,700,000 tons, administration's recommendations, H.R. 11135 as reported by House Agriculture Committee and based on 1960-64 average sugar importations

[In short tons, raw value]

Country	Administration's recommendations	H. R. 11135	Basis of 1960-64 average importations ²
(A) For countries in the Western Hemisphere:			
Mexico	390,135	340,925	402,370
Dominican Republic	385,854	340,925	433,729
Brazil	221,558	340,925	233,689
Peru	240,824	272,013	330,630
British West Indies	122,017	150,397	138,323
Ecuador	49,770	50,267	39,378
French West Indies	50,841	42,970	40,237
Colombia	27,829	42,970	30,500
Costa Rica	34,786	42,159	27,350
Nicaragua	40,672	38,511	36,514
Guatemala	35,321	32,836	24,915
Venezuela	2,676	30,809	1,718
El Salvador	17,125	30,403	13,890
Haiti	18,731	28,782	26,061
Panama	14,440	25,134	9,397
Argentina	63,685	21,485	40,094
British Honduras	4,281	19,864	2,005
Bolivia	0	4,054	0
Honduras	0	4,054	0
Subtotal	1,720,554	1,850,483	1,830,710
(B) For countries outside the Western Hemisphere:			
Australia	186,772	102,152	127,870
Belgium	1,605	0	1,718
China, Republic of	67,431	67,293	76,465
India	96,865	64,861	94,077
Ireland	2,141	0	2,864
South Africa	96,865	29,593	66,584
Fiji Islands	45,489	24,323	25,059
Thailand	0	19,864	0
Mauritius	14,985	14,188	11,455
Swaziland	9,098	6,081	(4)
Southern Rhodesia	9,098	6,081	4,439
Malagasy Republic	7,492	6,081	3,437
Turkey	1,605	0	10,310
France	(3)	0	3,580
Reunion	(3)	0	1,432
Subtotal	539,446	400,517	429,290
Total	2,260,000	2,260,000	2,260,000

¹ Excludes the Republic of the Philippines.

² 1960-64 average giving double weight to 1964.

³ Quota for French West Indies includes quotas for France and Reunion.

⁴ Approximately 8.5 percent of the South African exports may be attributed to Swaziland.

Mr. PASTORE. Is the amendment more or less the same as the bill committed by the House?

Mr. McCARTHY. The total amount of sugar allocated would be the same. The question is the proportion to be allotted among foreign countries.

The effect is this: it bases the quotas on performance over a 5-year period, with double weighting given to what they did in 1964, which was a year of sugar shortage.

We take the historic basis. It is a little like the national origins quota system in immigration. But I believe the 5-year base is the fairest that we could use unless we go back 15 or 20 years.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. MORTON. Mr. President, I spoke at some length on this subject yesterday. I introduced an amendment which was based on the 1962 formula.

I join the Senator from Minnesota, although I prefer my formula to his. But the Senate should vote on whether we are going to have an allocation of offshore sugar by some standard or whether we are going to do it by whim.

The administration bill, as I pointed out yesterday, cuts some 300,000 tons out of this hemisphere. The House bill reduced that to a 175,000-ton deficit. This is a bit better, but it was done indeed by whim.

The amendment offered by the Senator from Minnesota, in which I concur, at least has a formula. We do not say that we like this country or we do not like that country.

Yesterday we went through a procedure in the Committee on Finance. It was the only way to get it done. I do not criticize anyone on the committee, and I did concur. We went through the matter country by country. If we liked the country we voted "yea"; if we did not like the country we voted "nay."

This is no way to handle a matter that deals so much in economics as implementation of the foreign policy of this country.

I agree with the Senator from Arkansas [Mr. FULBRIGHT] that this is a matter that should not be in the hands of Congress.

We ought to say that 2,600,000 tons of offshore sugar are coming in. Then, the administration should divide it up.

But in the House bill, the administration bill, all the amendments deal with this country, that country, and the other country.

As to the amendment offered by the Senator from Minnesota, which I have cosponsored, I do not approve of his formula as much as I agree with mine, but that is all right.

The principle is the same. It is a matter of formula. It is a matter of rationale. It can be justified and we do not say

we like the way this person cuts his hair or do not like this dictator or that dictator.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. PASTORE. As I understand the Senator from Kentucky, his formula relates to the amount of tonnage that can come to this country from foreign countries, but the allocation is left to the administration.

Mr. MORTON. No. I pointed out to the Senator from Rhode Island that the allocation is according to a formula which the Senator from Minnesota worked out, which is each year from 1960 on and double credit for 1964. It works out according to a formula. Perhaps it is not the correct formula. It does not indicate that we like Haiti, or that we like this country or that country. It is worked out according to a historic formula. There is no change in the total tonnage.

Mr. PASTORE. I was interested in the observation made by the Senator that this was being left to the administration.

I did not understand that.

Mr. MORTON. I hope that some day we may achieve that end.

Mr. PASTORE. I agree with the Senator.

Mr. MORTON. The amendment of the Senator from Arkansas, which I supported, was defeated in the committee. But at least we are not acting according to caprice. We are basing it on the historic formula.

Mr. PASTORE. I thank the Senator from Kentucky.

Mr. McCARTHY. Mr. President, I hope that if Senators have any questions about the effect of the amendment on any single country, they will ask questions. The quotas under the amendment which the Senator from Kentucky and I propose differ somewhat from those in the House bill, from those in the original administration recommendation, and also from those in the Senate bill. I believe our proposal provides the most impartial approach on which the Senate might proceed to allocate sugar to any particular country.

Mr. PASTORE. I was not interested in any particular country. It is my understanding or my impression that sugar quotas are being used more as an implement of diplomacy than for economic reasons. My contention is that if that is the case, if sugar quotas are being used as an implement of foreign policy, I should prefer to leave it to the administration to decide how they should be allocated. Perhaps that cannot be done; but I think that would be the best thing to do.

Mr. MORTON. I agree with the Senator from Rhode Island. I believe this subject should be taken out of the hands of Congress. We are subjected to all kinds of influence on the part of lobbyists and of this, that, or the other dictator. I agree that we cannot achieve what we seek to do. I agree with the Senator from Rhode Island that that would be the most logical way of distributing quotas. It would not be done in a

hit-or-miss way. It has nothing to do with the domestic picture at all.

Mr. McCARTHY. I believe the State Department would like the authority he says it would give to them.

They devised a formula which, in my judgment, is not a question of intent. They tried to determine a formula that would not get us into trouble with one country or another, related to what was delivered in 1963 and 1964. They were seeking to carry out strong independent judgment on each country.

The consequence of applying that formula results in unfairness, inequity, and bad policy.

The formula which the Senator from Kentucky and I propose is not on a country-by-country basis but rather on the history of imports.

Mr. HOLLAND. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. HOLLAND. Does the Senator's formula, or his amendment in connection with a formula, include any nation to have a part in our distribution of quotas to foreign countries that was not included in the report of the able Committee on Finance?

Mr. McCARTHY. Yes; it includes two or three countries that were excluded by the Committee on Finance. But those countries would all be in conference because, as I recall, none of them was included in the House bill. So if it is desired to make such an adjustment—to take away the quota to France, for example—that could be done in conference. I do not seek to complicate the situation by taking countries out. I am applying it to all countries which have been in the program since 1960. This amendment would provide quotas to countries on the basis of the record each made. That would go to conference and could be adjusted there if necessary.

Mr. HOLLAND. The reverse question would be this: Does the Senator's formula or amendment exclude any country that was included in the bill reported by the able Committee on Finance?

Mr. McCARTHY. I do not believe it excludes any country which was included, because every country included has some record of performance—at least, every country which was recommended by the administration.

I ask the Senator from Louisiana if the committee included any countries that were not recommended by the administration.

Mr. LONG of Louisiana. No.

Mr. McCARTHY. The Senator from Florida asked if the amendment excludes any that the committee included.

Mr. LONG of Louisiana. No.

Mr. HOLLAND. If I correctly understand the answers of the two Senators, the amendment would add certain countries not included in the bill reported by the committee, and would not exclude any countries that were included in the report of the Committee on Finance.

Mr. McCARTHY. The reason for that is that there are some countries that did not deliver any sugar in 1963 and 1964, but did deliver in 1960, 1961, and 1962, which were included by the administration. Those countries would be

included in my amendment, because I used the 5-year basis. A quota for all of those countries could be in conference.

Mr. HOLLAND. Was the question of including all countries not now included in the Committee on Finance bill a question that was submitted to the committee and passed upon by it?

Mr. McCARTHY. The question of a quota for France, for example, raised a specific issue. The committee's decision was not to allocate any quota to France. The House did not provide any quota for France. My amendment, because we are applying the formula across the board, would provide a quota of 3,580 tons to France. But this item would be in conference and could be taken out in conference without any difficulty.

Mr. HOLLAND. Do I correctly understand that the Committee on Finance acted upon this very question of excluding countries which the Senator from Minnesota has mentioned?

Mr. McCARTHY. The Committee on Finance excluded France. The administration made no recommendation for France. The Senator from Kentucky and I supported the administration's position on this item.

Mr. HOLLAND. Were other countries in the same situation?

Mr. McCARTHY. The House version contained nothing for France. It is not a question of our really taking any positive action against France.

Mr. HOLLAND. Was France the only country that was excluded by positive action in the Committee on Finance?

Mr. McCARTHY. I believe it was the only country that was given single, special attention, although some of the French dependencies had the amounts allocated to them reduced by specific decisions.

Mr. HOLLAND. In all, how many countries included in the Senator's amendment were excluded by the Committee on Finance?

Mr. McCARTHY. I think the only country is France. There may be a small quota assigned to some other country that I do not recall at the moment. But there are several adjustments of quotas between and among countries.

Mr. HOLLAND. I thank the Senator from Minnesota for his answers.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. CLARK. Would one of the results of the Senator's amendment be to eliminate the activities of lobbyists before the House Committee on Agriculture? If quotas were fixed for a period of time, there would not be a need for such lobbyists.

Mr. McCARTHY. If we were to use the historic base, the only target the lobbyists would have would be the historic base. If we do not have some standard, I suppose countries could lobby on a country-by-country basis. If we adopted the historic base, countries might still hire lobbyists. But I do not know what they could do, except that there might be some problem of a redistribution of deficits.

Mr. CLARK. It occurs to me that one

of the most disgraceful features of our perennial sugar bills is the activities of lobbyists. I was interested in the position taken by the Senator from Arkansas [Mr. FULBRIGHT], whose amendment has been printed.

Mr. President, I ask unanimous consent that the amendment may be printed at this point in my remarks.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

Strike out all after the enacting clause and insert the following:

"That, effective January 1, 1965, paragraphs (1) and (2) (A) of section 202(a) of the Sugar Act of 1948, as amended, are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar-----	3,025,000
Mainland cane sugar-----	1,100,000
Hawaii-----	1,110,000
Puerto Rico-----	1,140,000
Virgin Islands-----	15,000
Total-----	6,390,000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

"SEC. 2. (a) The President shall submit to the Senate and the House of Representatives, on or before April 30, 1966, recommendations for amendments to the Sugar Act of 1948, as amended, providing for the periodic allocation, by the President or by a department or agency within the executive branch of the Government designated by the President, of quotas to foreign countries, other than the Republic of the Philippines, under such Act.

"(b) In submitting his recommendations under subsection (a), the President shall include criteria and procedures for allocating sugar quotas to foreign countries, other than the Republic of the Philippines, which will—

"(1) provide consumers in the United States with dependable supplies of sugar at reasonable prices, and

"(2) effectuate the foreign policy objectives of the United States.

"Amend the title so as to read: 'An Act to amend section 202(a) of the Sugar Act of 1948, as amended, and for other purposes.'

Mr. CLARK. Mr. President, I myself would like to see the whole business of sugar quotas turned over to the executive branch to be handled, just as the executive branch handles tariffs, quotas, and that sort of thing, under the Reciprocal Trade Act.

In view of the fact that the Senator from Arkansas does not intend to offer his amendment, it would probably be foolish for me to offer it when he does not intend to do it himself. I shall, how-

ever, vote for the pending amendment, believing that it will at least shore up one of the worst features of the present system.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. MORSE. The Senator from Pennsylvania and I completely agreed on this matter within the Committee on Foreign Relations. In my judgment, the Fulbright suggestion is completely sound. I am not so sure that I agree with the Senator from Pennsylvania that the amendment should not be offered merely because the Senator from Arkansas may not offer it. I am thinking about offering it.

Mr. CLARK. I would encourage the Senator from Oregon to offer it. I would lend my support to it.

Mr. MORSE. I always find the views of the Senator from Pennsylvania to be encouraging. I do not know why we do not start to make a record on sugar legislation in this session. We ought not to be handling this subject in the way in which we have been handling it in Congress for many years. We ought to establish guidelines. We ought to make perfectly clear the framework in which the Department of State should work.

Mr. McCARTHY. Mr. President, I should like to have the attention of the Senator from Florida. He may have noted this in the previous debate on the bill. We have included a provision which allows the administration, in the national interest, to take quotas away from countries and to reassign them to other areas or other countries. There is this protection built into the bill. Even though it is said that there is an absolute, historic base established, the administration could, in the national interest, withdraw a quota from a country which may have one. But it does specifically require that the original base on which the assignment of a quota was made should reflect the historic record from 1960 to 1964, with double weight given to 1964, the year in which some countries made a special effort to supply our own short market.

Mr. MORTON. Mr. President, briefly in response to the remarks made by the Senator from Pennsylvania, I am in agreement with what he had to say. However, to clarify this question, I believe that Congress should definitely decide what portion of our sugar should be domestic and what portion should be offshore.

I am sure that is what the Senator meant.

Mr. CLARK. I agree with that statement.

Mr. MORTON. In the allocation of offshore or foreign sugar, this decision should be left to the administration as, indeed, we leave other things, trade agreements, and whatnot, to the administration. If we got into a logrolling process between countries, it would not be a good thing. I have no criticism of any lobbyist. A country hires the best lawyer it can, and one does better than another. It is the system and not

the lobby that is responsible for our problems.

Mr. CLARK. I agree.

Mr. McCARTHY. Mr. President, I yield to the Senator from Missouri.

Mr. SYMINGTON. Mr. President, I would vote for the Fulbright amendment if it were offered. However, I cannot vote for this amendment. A South American country was of assistance to us when we were short on sugar. The administration gave them a quota which was cut about two-thirds in the House. Under this formula, as drafted by the distinguished Senator from Minnesota, part of that reduction would be restored, but by no means all.

From what I can gather the chief difference between this South American country's operation and that of others, some with increased quotas, was that they did not have any special representative. They handled it in a normal diplomatic manner. Therefore, although I see merit in the ultimate aim of the distinguished Senator from Minnesota, I cannot vote for this particular amendment. I agree, however, that the Fulbright amendment would be an improvement over what has been going on in recent years.

Mr. McCARTHY. Mr. President, I certainly appreciate the views of the distinguished Senator from Missouri. If I were advising Argentina, I would rather go to conference with the 40,000 tons provided by my amendment than to go into conference with the 21,000 tons provided by the House bill, or the 60,000 tons provided by the Senate bill, and negotiate on a kind of ad hoc basis with the chairman of the committee.

I understand the position of the Senator from Missouri. However, the Government of Argentina would be better off if it would say, "Let us take a solid, historic base and ask for our quota with that justification." I appreciate the views of the Senator from Missouri and understand his position.

Mr. SYMINGTON. I thank the able Senator.

Mr. McCARTHY. Mr. President, I yield to the distinguished Senator from Florida.

Mr. HOLLAND. Mr. President, my attention has been called to the fact that the bill reported by the Committee on Finance covers only a 2-year period for the distribution of foreign commodities. I am anxious to know whether the amendment of the able Senator from Minnesota departs from the 2-year principle.

Mr. McCARTHY. I was just about to ask to modify my amendment. That was an oversight on the part of the drafter. I modify my amendment to make it applicable only for the years 1966 and 1967. That would be a 2-year program, the same as that provided by the Finance Committee bill.

The PRESIDING OFFICER. The amendment is modified accordingly.

The amendment of the Senator from Minnesota, as modified, reads as follows:

On page 33, beginning with line 1, strike out all to line 4, on page 34, and insert the following:

"(3) For calendar years 1966 and 1967, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For Cuba, 57.77 per centum of such amount.

"(B) For other foreign countries, 42.23 per centum of such amount, the quota for each foreign country to be an amount which bears the same ratio to 42.23 per centum of such amount as the amount of sugar imported from such country during the years 1960 to 1964, inclusive (with double weighting for the year 1964), bears to the total amount of sugar imported from all such other foreign countries during such years."

On page 34, beginning with line 7, strike out all that follows up to line 4, on page 35, and insert the following:

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries on the basis of the quotas in effect for such countries under subsection (c) (3) (B)."

On page 36, lines 5 and 6, strike out "the other countries listed in subsection (c) (3) (A)" and insert "other foreign countries".

On page 36, line 7, after "countries" insert "under subsection (c) (3)".

Make conforming cross reference changes in section 4 of the bill.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. MORSE. Mr. President, I am disappointed with one part of the amendment. As I understand the Senator, he wants to compensate, by a larger sugar allotment, those countries in Latin America which sold us sugar at less than the world price when we were in short supply.

My understanding is that Under Secretary of State Ball, in negotiations with Latin American countries, asked them to do that, and then made a promise which, in my judgment, he had no right to make. However, that is one of the problems which we have with the State Department continually. It makes promises and enters into understandings, and then says: "We made this commitment. It was very difficult to work out. You must not let us down."

I do not like that kind of secret diplomacy. Mr. Ball said: "If you sell us this sugar, when we come to the next allotment, we will make it up to you."

I do not quite approve of that kind of diplomacy.

Furthermore, this would do some injustice, in my judgment, particularly to some democratic regimes in Latin America, such as Peru. Peru did not buy the bill of goods that Mr. Ball tried to sell. There was a good reason why it would not buy it. Peru was sorely in need of money at that time. Peru had her own balance-of-payments problems.

Mr. McCARTHY. Mr. President, the administration formula would reward these countries, I thought, in extreme measure. The formula which I used takes into account the 1964 performance of these countries, but also the record of 1960 through 1963.

Under the administration proposal, Peru would have received 240,000 tons. Under the House recommendation, it would have been 272,000 tons. The Senate Committee on Finance recommends the same as the House. The application of my formula—with the 5 years, to be double weighted for 1964—would give Peru a quota of 330,000 tons.

I think they would be treated much more fairly under my formula than under that of either the Senate Committee on Finance, or the House bill, and certainly much more fairly than they would be treated under the administration proposal.

Mr. MORSE. The principle of my argument still stands, I respectfully submit. What we are really doing under the amendment of the Senator is making an additional payment to countries which helped us when we were short of sugar. We could have obtained the sugar at that time. We could have gone on the world market and obtained it. I do not believe that this kind of diplomacy is a wise precedent.

We should not go to countries and say, as Mr. Ball did, "If you sell to us below the world price, we will give you a larger quota to make up for it later." I do not approve of that. That is why I have trouble in agreeing to this amendment.

If the Senator can clear that up, I shall vote for his amendment.

Mr. McCARTHY. I agree with the Senator.

I raised the point in the committee. I noted that it was indicated in testimony that the State Department and the Department of Agriculture had one to the House Committee on Agriculture to see whether it would approve this kind of bargaining operation in Latin America. The House committee refused to concur. The Departments did not even bother to ask the Committee on Finance. I was critical of them for using this device as a pressure technique in inter-American politics, as is the Senator.

The application of my formula would discount that approach more than would the administration proposal, and more than the proposal incorporated in the House bill, or in the recommendation of the Senate Committee on Finance.

Mr. MORSE. Mr. President, the Senator from Minnesota understands what is bothering me. Because of my work on the Committee on Foreign Relations in Latin America, I receive a great many complaints from Latin American interests when they think we are following a course of action that is unfair.

I received a number of protests from representatives of those countries, not lobbyists, but official government people, that the Ball program was unfair to them, that it was a kind of hijack program, that it was a penalty program, that "If you don't do all we are asking you, we will penalize you in the future; if you do what we are asking you, we will reward you in the future."

What I wish to know—and I have not had time to study the figures applying to the Senator's amendment—

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. LONG of Louisiana. I yield the Senator 10 minutes on the bill.

Mr. MORSE. What I wish to know is, if we take all those Latin American countries that did not sell their sugar below the world price, and we apply the Senator's amendment to them, will they be penalized by receiving lower quotas than they would receive under the Finance Committee's bill? The Senator says that is not true of Peru. I want to know if it is true of any country.

Mr. McCARTHY. It is not true of any country that has been supplying us over the 5-year period. They would be treated better under my bill. The administration formula gives very special credit for what they did in 1964 when, as the Senator said, they were in trouble because of so-called global policy. The shortage which resulted increased sugar prices from 2.5 cents to 12 cents a pound. They had been warned that the rising prices could cost the consumers of this country several hundred million dollars. So then the administration went out and said, "If you will sell us more sugar, thereby reducing our sugar prices at home, we will reward you with future quotas." I do not think they had authority to make that offer.

Mr. MORSE. I do not think so, either. Not unless they obtained approval of Congress.

Mr. McCARTHY. Not only that, but they wish to compound it now by extending it for 5 years, by providing that the countries to which they made the promise they did not have a right to make, shall receive special treatment over the 5-year period provided in the administration bill. Those countries have already received more by way of remuneration, because of the special quotas the administration gave them in 1965, than they lost by giving special consideration to us in 1963 and 1964. So, in the name of equity, they no longer have a special case. They would receive some credit by application of my formula, to get the bill passed.

Mr. MORSE. I thank the Senator. That answers my question.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. MORTON. In further response to the question of the Senator from Oregon, the amendment which I offered went to 1962, and left out any extra benefit for the turbulent years of 1963 and 1964. But the principle is the same as the principle that has been encompassed in the amendment of the Senator from Minnesota.

Mr. MORSE. The Senator is supporting his amendment?

Mr. MORTON. Yes; I am cosponsoring it. I have no illusions as to what is going to happen, but at least there is a formula, and not caprice.

I hope the Senator will, as he has indicated, persuade the Senator from Arkansas at least to put to a vote his proposal, because if we are to deal out benefits on the basis that we like a man's eyes or the color of his hair, we are in trouble.

Mr. MORSE. I agree.

Mr. LONG of Louisiana. Mr. President, the Senator has one good argument for his amendment, and that is that it works on a formula. Nevertheless, in my judgment and the judgment of the Senate Finance Committee by overwhelming vote, the administration formula makes considerably better sense.

The approach the administration took was directly by a formula; and it stuck to it. The administration said, "We are not going to buy sugar from any new country. If we did we could not explain to other countries why we do not buy sugar from them."

Mr. McCARTHY. Those countries would not get anything under my formula.

Mr. LONG of Louisiana. That is correct. Up to this point I agree with the Senator. I am only trying to explain to him how the administration arrived at its formula. It has a formula; the Senator from Minnesota has a formula.

The administration proceeded to say, "We are only going to talk about the people with whom we have been trading. We are not going to talk about new customers; that would create all sorts of international problems."

The Senate Finance Committee agreed with that part of the formula, and so did the Senator from Minnesota. So we are together up to that point.

This is how the administration approached the matter. It said, "We would prefer a nearby source of sugar, but above all, we want a dependable source of sugar. We do not want the American housewife to pay a good, fair price for sugar in surplus years, and end up having to pay 15 cents or 50 cents a pound in years of crop failure. We want a stable source; and the way to get a stable source in a critical period is by looking at our trade pattern in a critical period."

All right; in 1964, we called upon those whom we had been favoring down through the years to deliver more sugar, because in that year there was sugar shortage around the world. We called upon those who had sugar to deliver; and most of them were delivering, and selling below the world price.

Who came through? Mexico came through in fine style. The Dominican Republic did very well. Brazil gave us a disappointing performance. So it went.

When we looked to see who had provided us with sugar, we found that Australia had been extremely helpful to us; South Africa was helpful to us; India was very helpful to us. Those people performed in fine style.

The Department of Agriculture called on those people and said, "We want you to commit sugar; and if you do, we will not forget it. We will remember you later."

So the administration came up with a formula weighting those factors.

The Senate Committee on Finance looked at the proposal. We agreed to work from the administration's formula as our starting point. So we went down through that formula on a country-by-country basis, and asked ourselves, "Which countries does this formula re-

ward too much? To which countries is it giving too much benefit?"

In 23 cases, the Committee on Finance, by overwhelming vote, expressed its feeling that the administration has arrived at a fair figure, and those figures we did not change. In that respect, I believe we protected the U.S. Senate as well as the Finance Committee from the kind of vicious and unfair criticism that was heaped upon the House of Representatives and its very fine committee, the Committee on Agriculture—and I regret very much that the press has been as vicious as it has to a very decent, honorable gentleman, the chairman of that committee.

But in 10 instances, we felt that the administration formula rewarded overgenerously the nations involved.

Which nations did we feel had been rewarded more than the circumstances justified? We felt that France and her colonies had been rewarded too much, and that that could not be justified. We felt India should be rewarded, but not as much as the formula would provide.

With regard to South Africa, we felt that the McCarthy formula was exactly right. That is one nation with respect to which we took the McCarthy figures.

When we got down to the Fiji Islands, we felt that the McCarthy formula seemed to be just about right.

These are not precisely the same figures, but they are nearly the same.

There is nothing particularly illogical about the McCarthy formula. I do not believe it makes as much sense as the administration formula. However, if we accept the McCarthy formula, we find that we add 12,000 additional tons to the amount that will go to Mexico. Mexico will be happy, of course, and highly pleased to get the additional tonnage. Oscar Chapman represents Mexico, and he is a very able man. I am sure that he would be glad to get the extra tonnage. However, he has said that he is content with the 390,000 tons that we give Mexico. If we were to give this additional tonnage to Mexico, he would be happy.

This would also help Peru. We have been generous to Peru. The administration recommended 240,000 tons for Peru. We felt that if we could make some reductions outside the Western Hemisphere we could possibly allocate it to those countries which perhaps had been penalized too much because they could not deliver as much sugar as we hoped they could deliver in 1964. Therefore, we raised Peru by 31,000 tons above the administration's recommendations.

The amendment would reward the British West Indies. It would put them 16,000 tons above what the committee recommended. The committee thought that the administration figure for the British West Indies was exactly right and therefore took the administration's recommendations.

The amendment would treat Colombia more generously. Why do it?

Some people are not too happy with the Government of Haiti. I am not upset about that Government, but some people seem to believe that it is not a very good Government, and they would

like to take Haiti out completely because they do not like the Government. The McCarthy formula would give Haiti approximately 6,000 additional tons, to which I say: Why? There is no particular reason to do that.

In my judgment, if we are to assign additional tonnage somewhere in this hemisphere, we would do well to give it to Bolivia or Honduras. If we wish to assign a few additional tons of sugar somewhere—and we would have to confer with the House conferees on this matter anyway—why do we wish to give France that tonnage? De Gaulle is trying hard to make a run on the dollar and is trying hard to put us out of business if he can.

The fact is that De Gaulle does not seem to like the United States very much these days, and we found out that the Government of Malagasy—which has always been friendly to the United States—had its tonnage taken out, so we put it back in to correct the mistake that we, perhaps, had made. So, why include France? The administration recommended 1,600 tons for Turkey. The McCarthy formula would give Turkey 10,310 tons. There was little support for the amendment in the committee.

I suppose that if the administration had recommended it, we might very well have "bought" this trade pattern, but the administration felt that the formula brought before the committee made better sense. Even though the Senator's amendment does have logic to recommend it, I submit that to do this could very well lay the Senate open to the same sort of unfair criticism which was heaped upon the House of Representatives.

Mr. HOLLAND. Mr. President, will the Senator from Louisiana yield?

The PRESIDING OFFICER (Mr. HARRIS in the chair). Does the Senator from Louisiana yield to the Senator from Florida?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. Are we to understand that the so-called McCarthy amendment now offered by the Senator from Minnesota and the Senator from Kentucky [Mr. MORTON] was offered in committee?

Mr. LONG of Louisiana. The Senator is correct.

Mr. HOLLAND. Was it rejected by the committee?

Mr. LONG of Louisiana. It was. I do not believe it had a rollcall vote, but there was a decisive vote on it.

Mr. McCARTHY. There was a rollcall vote on it. The vote was 7 to 4, with the Senator from Louisiana voting; and as I recall, he had 3 proxies. Therefore, we did not really have an opportunity to explain the amendment to the full committee. I believe that if we could have gotten them to see the merits of the amendment—

Mr. LONG of Louisiana. I believe that the Senator from Minnesota also voted a proxy, too.

Mr. McCARTHY. I had one, and the Senator had 3 or 4.

Mr. HOLLAND. Will the Senator from Louisiana or the Senator from

Minnesota state for the RECORD what the vote was in the committee?

Mr. McCARTHY. I believe that the original vote was 7 to 4. Then there was a polling of the members.

Mr. LONG of Louisiana. If I recall correctly, on this particular amendment, there was not a rollcall vote. There was a vote by a show of hands. I thought the Senator from Minnesota had one vote for himself, but he also had a cosponsor, so he obviously had two votes; and if he had a proxy, he had three. I was holding a proxy myself, so that made us even.

Mr. HOLLAND. The Senator from Florida feels this way about it. He wishes the RECORD to show it. He does not believe that it is sound or in the interest of the country to discuss on the floor of the Senate the question of apportioning out this kind of thing among friendly nations. He is perfectly willing to abide by the judgment of the committee, which he understands now was a rather heavy expression of judgment against the proposed amendment. He feels that since this question has to go to conference anyway, the sound thing to do would be to stand by the committee which has discussed problems which should not be discussed on the floor of the Senate with justice to all concerned, and he hopes that that course will be followed.

Mr. LONG of Louisiana. I can defend before the Senate the amount recommended for every nation in the pending bill as reported by the committee. While I understand the Senator's formula, I am not sure I could say the same thing for it.

The Senator's formula would benefit France. Why do we wish to do that for France? De Gaulle is doing everything he can to make a run on the dollar, anyway, and there is no particular reason why France should have a portion. France is a deficit sugar area, anyway. It had a surplus one year—it is not our normal supplier—and it shipped us some sugar one year but there is no particular reason why France should be included.

Let us take the formula and look at South Africa. It works out just about right. We felt that the administration's recommendations were too generous for South Africa, so we put them on the McCarthy formula. For that country, the formula works out exactly right.

I therefore submit that if we adopt the McCarthy formula, the Senate should start all over again and do just what the Committee on Finance did. It took every one of these countries—as the committee did—and carefully considered the inequities of one country against the other, their location, how they performed in time of scarcity, and if they did not, why they did not perform. In some countries, they did not ship the sugar at a time when we were calling on them to ship their sugar, because they did not have any.

That being the case, we said that they should be considered, so we considered country by country, saying, "Let us see what the administration's formula does," and worked it out on that basis.

I submit that to adopt the McCarthy amendment would put the Senate in the position of having to start all over again and trying to do on the floor of the Senate the kind of work which is better performed by a committee. That is why we have committees. If the Senator believes that some particular country is not being treated fairly, he should offer an amendment to take care of that country, rather than start all over again as his amendment would require us to do.

Mr. McCARTHY. If this is to be the approach, then the presence of lobbyists should receive the Senate's consideration. This would be an open invitation for lobbyists to come, because they have received special consideration for the countries they represented. I am not one who is saying that lobbyists should be driven out of town, but some are complaining about the lobbyists. They have said that Argentina should be "rewarded" because she did not have lobbyists. The Irish did not have a lobbyist. If countries are to be rewarded for not having lobbyists, I think I shall offer an amendment to have a 10,000-ton quota given to Ireland.

Mr. LONG of Louisiana. Offer it.

Mr. McCARTHY. Will the Senator support it? Ireland did not have a lobbyist.

Will the Senator from California [Mr. MURPHY] support it? [Laughter.]

Mr. LONG of Louisiana. If someone is going to talk about what lobbyists did or did not do, I point out that in 23 cases the bill now before the Senate could not have been affected by lobbyists, because the committee reported what the administration recommended and as the bill was first introduced in the House. Some of the countries which did not have lobbyists, for example, Argentina, got what the administration recommended. So did Ireland.

So far as I know, there is no figure in the bill as reported by the committee that has anything to do with lobbyists. I do not believe the Senator's amendment has anything to do with it, but, conceivably, somebody might suggest that the reason he offered it was that some countries would be treated better under the amendment. It would be an unfair criticism, but if we adopted the amendment, we should be prepared to go over the quota country by country, as the committee did, and see what each country should be allocated.

Mr. President, I yield back my time.

Mr. McCARTHY. I yield back my time, and ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment, as modified, offered by the Senator from Minnesota for himself and the Senator from Kentucky [Mr. MORTON]. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Indiana [Mr. BAYH], the Senator from Maryland [Mr. BREWSTER], the Senator from Connecti-

cut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], the Senator from South Dakota [Mr. McGOVERN], and the Senator from Rhode Island [Mr. PELL] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Indiana [Mr. HARTKE], the Senator from Georgia [Mr. RUSSELL], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH] and the Senator from Georgia [Mr. RUSSELL] would each vote "nay."

On this vote, the Senator from Indiana [Mr. BAYH] is paired with the Senator from Virginia [Mr. BYRD]. If present and voting, the Senator from Indiana would vote "nay," and the Senator from Virginia would vote "yea."

On this vote, the Senator from Maryland [Mr. BREWSTER] is paired with the Senator from Rhode Island [Mr. PELL]. If present and voting, the Senator from Maryland would vote "nay," and the Senator from Rhode Island would vote "yea."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] is absent on official business.

The Senator from Iowa [Mr. MILLER] is absent by leave of the Senate.

The Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are necessarily absent.

On this vote, the Senator from Iowa [Mr. MILLER] is paired with the Senator from Texas [Mr. TOWER]. If present and voting, the Senator from Iowa would vote "yea," and the Senator from Texas would vote "nay."

The result was announced—yeas 25, nays 57, as follows:

[No. 291 Leg.]

YEAS—25

Aiken	McCarthy	Pastore
Bartlett	Mondale	Pearson
Boggs	Monroney	Prouty
Clark	Morse	Robertson
Cotton	Morton	Smith
Fulbright	Murphy	Thurmond
Hickenlooper	Muskie	Williams, Del.
Hruska	Nelson	
Kuchel	Neuberger	

NAYS—57

Allott	Harris	Metcalf
Bass	Hart	Montoya
Bennett	Hill	Moss
Bible	Holland	Proxmire
Burdick	Inouye	Randolph
Byrd, W. Va.	Jackson	Ribicoff
Cannon	Javits	Russell, S.C.
Carlson	Jordan, N.C.	Saltonstall
Case	Jordan, Idaho	Scott
Curtis	Kennedy, Mass.	Simpson
Dirksen	Kennedy, N.Y.	Smathers
Dominick	Lausche	Stennis
Douglas	Long, La.	Symington
Eastland	Magnuson	Talmadge
Ellender	Mansfield	Tydings
Ervin	McClellan	Williams, N.J.
Fannin	McGee	Yarborough
Fong	McIntyre	Young, N. Dak.
Gruening	McNamara	Young, Ohio

NOT VOTING—18

Anderson	Dodd	Miller
Bayh	Gore	Mundt
Brewster	Hartke	Pell
Byrd, Va.	Hayden	Russell, Ga.
Church	Long, Mo.	Sparkman
Cooper	McGovern	Tower

So the amendment of Mr. McCARTHY and Mr. MORTON, as modified, was rejected.

TIRE SAFETY

Mr. LONG of Louisiana. Mr. President, I yield 1 minute to the Senator from Washington.

Mr. MAGNUSON. Mr. President, yesterday I introduced a bill, S. 2669, to be known as the Tire Safety Act of 1966. It is a composite bill, made up of bills before the Commerce Committee. I stated yesterday that the committee had before it three or four other bills, including one by the distinguished Senator from Wisconsin [Mr. NELSON], which I believe to be a major approach to the problem. All these bills are in committee.

There have been some hearings on the bills, and we have made up a composite bill, which is not in conflict with the other bills.

We do not expect to hold any hearings on the bill which the Senator from Wisconsin [Mr. NELSON] has introduced or any other bills until the Senate returns next year. At that time all of us expect to go into this subject in some detail.

I wish to have the RECORD clear that there is no intention on the part of the committee to bypass the very fine efforts of the Senator from Wisconsin on this subject matter. We have experienced a little technical problem, and that is why I introduced the bill yesterday.

I ask unanimous consent that at the next printing of the bill the name of the Senator from Wisconsin [Mr. NELSON] be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I have studied the bill which was prepared by the senior Senator from Washington, to establish some reasonable standards of safety for tires used on automobiles in this country. It is a creative and fruitful and sensible approach. I am pleased to join him as a cosponsor of the bill.

SUGAR ACT AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. FULBRIGHT. Mr. President, on behalf of the Senator from Delaware [Mr. WILLIAMS] and myself I offer an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 32, beginning with line 14, it is proposed to strike out all that follows through line 19 on page 43.

On page 47, it is proposed to strike out lines 3 through 13.

On page 51, beginning with line 21, it is proposed to strike out all that follows through line 19 on page 52.

On page 55, it is proposed to strike out the last sentence of section 14.

Mr. FULBRIGHT. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. FULBRIGHT. I ask unanimous consent that the name of the Senator from Oregon [Mr. MORSE] be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FULBRIGHT. Mr. President, I yield myself 5 minutes.

The amendment is quite similar to the one which I offered some time ago and had printed, of which copies are available, except that it extends the domestic program through 1971, or for 5 years. It is the same as the administration bill, except for the foreign quotas.

I offered the amendment in committee. The vote on it, as I recall, was 9 to 3.

Mr. LONG of Louisiana. 9 to 6, I believe.

Mr. FULBRIGHT. No. The amended amendment, which is similar to the one I am offering, which gives the domestic industry everything it wanted, and which is included in the administration bill, was voted down by a vote of 9 to 3. The amendment is the same with respect to the domestic industry, but it cuts out the foreign quotas.

I believe the amendment, which was the second one that I offered in committee, was turned down by a vote of 9 to 6.

So the amendment was considered by the committee, and it is true that the committee did not accept it. But I believe it is proper for the Senate to pass upon this issue. All the criticism of the sugar program that I am aware of arises from the method of allocation of foreign quotas, and the insinuation of influence on Congress arises out of the allocation of foreign quotas. There are complaints from foreign countries. For example—and this is not a secret at all; I stated it in committee—the Ambassador from Argentina told me that his country's quota was cut from 60,000 tons to 20,000 tons. He believes that that is because Argentina did not employ a lobbyist or a representative to appear before the House committee. I do not know whether that is true or not, but it leaves a bad impression.

This method of handling foreign allocations is bad for our foreign relations, aside from whatever the cost may be with respect to the sugar quota itself. That is why I have interested myself in the subject. Foreign countries argue that they now have the impression that in order to prevail in the obtaining of quotas, they must employ high-powered lobbyists.

The quota for Venezuela has been discussed in the press. Venezuela had a rather small quota, not having been a supplier of sugar to the United States, not being a large producer of sugar, and not having the economic conditions of other countries, although Venezuela is the largest exporter of petroleum to this country. It had not been the traditional practice for Venezuela to obtain a quota; but this year that country hired a high-priced, high-powered, well-known lobbyist, and Venezuela's quota was substantially increased.

It is not for us to examine into the motives or to prove them. I could not

prove anything in that respect. But the fact is that it is believed by many countries that that is the way to operate before Congress. That is bad for Congress. As a Member of Congress and of the Senate, I do not like it. It is bad for our relations abroad. It does great harm to our relations with the countries of Latin America, in particular.

All I seek to do is what the industry wants and the administration recommends—to leave out foreign quotas. The effect would be to allow existing law to continue until December 1966, in this respect. The administration has the authority to set quotas next year for all these countries, just as it did for the current year. But at the end of 1966, if Congress chooses to do nothing further, the situation will be left wide open. I am not at this time advocating that the quotas not be renewed next year. I advocated before and provided in the original amendment that the administration try to develop by next April a permanent system for the allocation of quotas; some kind of formula that would be based upon historical experience and other economic and political considerations; but that it not be a matter of trading as among lobbyists with Members of Congress. That is not the purpose of the proposal.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. SYMINGTON. Last Friday, I placed in the Record differences between the administration's recommendation and decisions as rendered in the House bill. It appears to me the remarks of the distinguished Senator from Arkansas, chairman of the Committee on Foreign Relations, are pertinent to what I presented Friday. I should like to be associated with the Senator from Arkansas in the offering of his amendment.

Mr. FULBRIGHT. I appreciate that very much.

This is a fine program for our domestic producers of both beet and cane sugar producing States, but I think it is too bad that this great program should be associated with the problem of allocation of foreign quotas. I have spoken with some Members of this body who represent States which are large producers of sugar, and they have said to me that they themselves wish that the program were dissociated from all the stories and difficulties surrounding the allocation of foreign quotas. Foreign quotas do not really mean anything to them. They are not an integral part of their program. They are of no interest to domestic producers, so long as they receive their tonnage and payments of subsidies, as the bill provides. That is all they are really interested in.

Foreign quotas are merely a kind of appendage that tends to discredit the whole bill, in the eyes of domestic producers. Whether every one of these allegations is justified by facts, I do not know; I would not say. But I know that the effect is bad upon the whole sugar program and upon our foreign relations. I hope that the Senate will accept the amendment.

The PRESIDING OFFICER. The time of the Senator from Arkansas has expired.

Mr. FULBRIGHT. I yield myself 1 more minute.

The committee bill extends foreign quotas for 2 years. If the quotas were cut out altogether, and we then went to conference, the Senate would be in a stronger position if it adopted this amendment, because I know there will have to be some trading. But I hope that in conference the Senate conferees will try to prevail upon the House conferees to accept language similar to that contained in my amendment, so that the domestic program can be dissociated with the problem of foreign quotas.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield.

Mr. WILLIAMS of Delaware. I support the Senator from Arkansas and am glad to cosponsor his amendment. It is a sensible solution to a dilemma in which Congress finds itself every time we handle this sugar legislation. We are in the closing days of the session. We did not have adequate time in committee to consider the requests and recommendations of the representatives of foreign countries. In fact, as the Senator from Arkansas well knows, their representatives or witnesses did not appear but filed statements instead. The members of the committee did not have a chance to read the statements until the committee began to vote on the bill.

By the adoption of the amendment all the requests of domestic producers will be taken care of for a full 5 years, as is proposed both by the House and by the Senate bills. Domestic producers will be taken care of in their entirety.

The administration could act for foreign producers under existing law for the next 12 months. Foreign producers could be assigned the quotas they now have, and during the next session the Congress in an orderly fashion could reach a permanent solution to the problem of foreign quotas. That could be done away from the atmosphere of the adjournment of Congress or of lobbying, as is now the case.

As a member of the Committee on Finance I hope the amendment of the Senator from Arkansas will be approved, not with the thought of going to conference and dropping the amendment there but with the intention of retaining it. As one who expects to be a conferee I would support the amendment in conference and would expect to bring it back to the Senate.

I believe it provides the solution to our problem. It would remove from Congress the stigma that countries who pay the largest lobby fees get the largest quotas. I hope the amendment will be adopted.

Mr. FULBRIGHT. I thank the Senator from Delaware for his statement.

Mr. LONG of Louisiana. Mr. President, I yield myself 10 minutes. The amendment of the Senator from Arkansas would divest Congress of the responsibility which it shares with the executive branch.

This amendment would, in effect, suggest that Congress is unworthy of voting on sugar quotas because Congress cannot be trusted, while the administration can be trusted.

We have here a pattern that has been worked out, as the Senator suggested it should be worked out, considering our normal trading pattern and considering whom we can rely upon to provide us with sugar.

How did the Senate committee handle the problem? I have heard some criticism of the House Committee on Agriculture. I have yet to hear anyone criticize what the Senate committee did, with the exception of Mr. Mennon Williams, who said that we made a mistake with regard to the Malagasy Republic, and he explained why he thought so. We agreed to an amendment on the floor to take care of that.

I have not heard a word of criticism concerning what the Senate Committee on Finance did with the bill.

What did we do with regard to Latin America? We gave every country exactly what the administration recommended with the exception of three countries. We gave those countries more than the administration recommended. We did this because we thought that the formula would unjustly penalize at least one of those countries. We thought, as between the Dominican Republic—where we hope to keep the forces of freedom alive, and where we would withdraw any quota they had in the event they went Communist—and the people in Australia, South America, and other far-away places, it would be better to have more sugar from Latin America and thereby do a little more for the Dominican Republic.

There has not been a word of criticism. I have not heard any suggestion that a lobbyist was able to affect one of the quotas suggested by the Committee on Finance. That is the bill that we are talking about.

We talked about lobbyist Charles Patrick Clark. We talked about a former Cabinet member, Oscar Chapman.

If we were to agree to the amendment, we would be telling them: "Do not come up to the Hill any more. Go to the White House and the President will assign you a quota. Get in touch with the President's man, the man who speaks for him, and see if you can arrange an appointment with the President or someone speaking for him and have a quota assigned to you."

What would happen to a little country which has no quota? Honduras supported us in the Dominican Republic crisis. It sent soldiers there to help solve that problem. Those people would say, "We sent troops to help you out. We are helping you. Why do you not buy sugar from us?"

The President does not want to be subjected to that kind of pressure. He wants us to share that responsibility. That is why he sent the bill to Congress. It is a traditional pattern that has always been followed. The President recommends to Congress what he thinks we should do. The President

proposes to Congress, and Congress votes the measure up or down, or amends it and settles for something in between.

If we were to agree to this amendment, we would place our conferees in a hopeless position. For example, the Senator just got through saying that he thought Argentina had been treated shabbily by the House committee. The House committee cut the quota from 63,685 tons down to 21,485 tons. The Senator said that happened because they had no lobbyist.

If we were to go into conference with the Fulbright amendment and come out with any quota at all, it would not be within our power to restore the injustice done to Argentina.

The Senate committee treated Argentina as if Argentina had retained the finest lobbyist in the world. We gave it exactly what the President recommended, no more and no less. Argentina thinks that the treatment is just and fair and proper for what she did to support us in our hour of need.

The committee worked hard on the bill. We provided a 2-year limitation on the foreign quota so that we could come back and take a look at the matter in a couple of years to see how it is working out and see if we would perhaps recommend a change in one quota or another, and the administration could make recommendations.

Furthermore, the bill could not be passed, and it will not be enacted if we cannot assume the refiners of a reliable supply of raw sugar. The refiners are even better represented in the House of Representatives than are the producers. The refiners, for example, are represented by the distinguished Speaker of the House, JOHN McCORMACK.

If the refiners are against the bill, we will not get it through Congress. The refiners want to know where they will buy sugar so that they can make contracts and know from who they can get sugar.

There is a relationship between cane and beets which requires that the producers and refiners get together and agree. The cane people must agree on how much they will produce. They have agreed to take a 13-percent cut in acreage. The beet people took a 5-percent cut. The refiners do not refine beets, and they want the tightest limitation they can get on beets. They want a firm control on how much beet sugar will be produced, because the law limits how much sugar can be sold.

The refiners will go along with what they think is fair control of beet production. They are in agreement at this time. If we are going to enact any legislation, we must proceed with the bill as it is. We have tried in the past to deal with the producers without dealing with the refiners. We have tried in every way that we could. It cannot be done.

If we want a bill, I submit that there must be a quota system in it.

It was suggested that Charles Patrick Clark exercised great influence. He is a highly paid lawyer. Let us see how his country made out. He represented Venezuela.

The administration recommended

2,676 tons for Venezuela. The House committee gave Venezuela a quota of 30,809 tons. What did the Senate Committee on Finance recommend? Two thousand and six hundred and seventy-six tons, exactly what the administration recommended, and approximately 10 percent of what the House recommended.

We thought the House figure was about right with regard to Southern Rhodesia, and we worked out a compromise figure with regard to the Fiji Islands.

We have what we think is a good bill, a bill that does not show the influence of anybody except the 17 Senators who tried to discharge their responsibility as the merciful Lord gave them the light to do so. We presented this bill. If we go to conference with the House, we would be a lot better off with this bill as the administration recommended, rather than buying the recommendations, as the Senator from Arkansas would do, like a pig in a poke.

The PRESIDING OFFICER. Who yields time?

Mr. FULBRIGHT. Mr. President, I yield to the Senator from Delaware whatever time he wishes.

Mr. WILLIAMS of Delaware. Mr. President, the Senator from Louisiana raised a question about this amendment interfering with the sugarbeet and cane agreement. This amendment would not in any way affect the agreement reached between the cane and beet sugar industry, the provisions in the House and the Senate bill are identical. It would leave the domestic exactly the same for 5 years.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG of Louisiana. It certainly would affect it. Refiners buy sugar offshore for refining purposes. They would want to know where they could get that sugar.

Mr. WILLIAMS of Delaware. I am not talking about offshore sugar. I am talking about the production of domestic sugar in this country. It would not in any way be affected by the amendment.

The Senator from Louisiana said we would not have these quotas in conference. The purpose of agreeing to the pending amendment would not be to have quotas in conference. We propose to strike out these foreign quotas entirely.

I hope that we can come back with a bill to take care of the domestic program for 5 years and leave the foreign quotas out entirely.

The administration would still have under the existing law exactly the same authority under which they have operated under during 1965. They would have that same authority for all of 1966 to administer the foreign quotas in exactly the same manner that they do now. While, far be it from me on this side of the aisle to defend his administration, I do not join with the Senator from Louisiana in distrusting them to the extent he indicates in objecting to them administering the program for another 12 months. If so, perhaps he will join me

next year about November, and we will make a change.

Under this amendment Congress is delegating any authority to the administration which it does not already have; Congress will have complete jurisdiction over extension and reallocation of these foreign quotas, after next year, if we wish to do so. We could start that consideration of the bill early in the next session, rather than wait until the last day or two of the session and get deadlocked in a logjam.

I think the best bet for the domestic producers in this country is to take this opportunity of protecting their industries for 5 years. They are protected both in the House and the Senate bill—we made no changes—they are fully protected, and I think we will come far nearer getting a piece of legislation down to the White House by eliminating these foreign quotas and the criticism about the foreign quotas, and carrying that problem over until next year, than we will by trying to insist on Congress dealing with the package now. By the time the bill gets back from conference, it will be the very last days of the session, if I know the conferees, and I venture to say we will come nearer getting a bill passed with the foreign quotas left out than with it in. Otherwise, there is a possibility we will be going home without having enacted any sugar bill.

The PRESIDING OFFICER. Who yields time on the bill?

Mr. FULBRIGHT. Mr. President, I yield myself 3 minutes.

The Senate committee version is certainly better than the House bill. What I am trying to do, really, is establish a precedent that this matter might be adjusted in a way different from the way the House has done it year after year and, as I say, to dissociate it from the domestic program.

I am not the source, nor is this amendment the source, of the criticism of the way the matter has been handled. We have been criticized by the press every year since I have been in the Senate, it seems to me. It certainly did not arise with the introduction of this amendment, or from anything I have said. I am merely reflecting what has already been said. I think the amendment is a way to deal with it.

The allocation of these quotas, if we are going to have it in the future—of course, I also favored, I may say, the global quota, which I think worked better than this direct allocation by Congress—I think would be much more suitably an executive function, where the responsibility is pinpointed on a particular official, and particularly where the President takes the responsibility and appoints someone in the Department of Agriculture and someone in the State Department. One or two men will probably review the matter.

As for the action of the Senate committee, it largely took the administration's recommendation, in this instance, in the cases which were mentioned by the Senator from Louisiana. I believe the result is an improvement over the House bill; but what I was looking to in this case was to try to get away from the

annual practice of having this kind of hassle over the bill. It always, to the best of my memory, comes up in the last few days of the session.

In this instance, we had 1 day of hearings, and most of the day was taken up by two witnesses from the administration, Secretary Mann and Mr. Schnittker; and we never did have an opportunity to talk with the representatives of the foreign countries. I am not at all sure that if we had, it would have proved very much insofar as the validity of the particular allocations was concerned. But, nevertheless, I think the procedure, the way in which this is done, is really what is at fault. If we are going to have that kind of procedure, of course we shall always have lobbyists. I do not think my remarks should be interpreted as a reflection upon some of the people whose names have been mentioned by the Senator from Louisiana. Their existence is merely a reaction to the system which has been established. If it was not those people, it would be someone else like them, playing a similar role. My criticism goes, not to the individuals as such, but to the system which is utilized in arriving at the quotas. So I hope the Senator will accept the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, have the yeas and nays been ordered?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. LONG of Louisiana. Mr. President, I merely wish to make it clear that under our system of checks and balances, a matter of this magnitude should be passed on by Congress.

Under our scheme of government, a great responsibility of this sort should be shared, and be subject to the checks and balances of the American system. The President negotiates these agreements; he has his experts make the studies, and then he sends down to us what he thinks the recommendation should be. Suppose there were a corrupt person at the Department of Agriculture who made improper recommendations, or someone at the White House who might do something improper. The Congress is a check on that. That is why we look at the quotas, and why we go through the whole thing and ask if this or that makes sense, and ask, "Why was Peru given such a small quota?"

Then we hear the administration's argument, and we hear from the one who speaks for that country. If he makes a good case, we call on the Department of Agriculture and the Department of State and say, "Here is what the man said; what is your answer to that?" We get their rejoinder, and by the time we are through, we are able to say whether we think those people were unjustly penalized.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. FULBRIGHT. Did the committee hear any testimony from representatives of any foreign countries?

Mr. LONG of Louisiana. It certainly did. I sat right there and heard it. I wish the Senator had been there. Let me show the Senator.

Mr. FULBRIGHT. Is the Senator referring to the statements they filed?

Mr. LONG of Louisiana. No; I am talking about the statement the man read. Let me read from the hearings.

Mr. FULBRIGHT. From representatives of how many countries did the Senator take testimony in open session?

Mr. LONG of Louisiana. About eight or them. Everybody who wanted to read his statement stood there and read it. The Senator mentioned the Peruvian representative. Let us talk about him.

Mr. WILLIAMS of Delaware. Will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. WILLIAMS of Delaware. I do not believe there were but two. As I recall, there were six or eight witnesses, but I do not believe there were more than two representatives of foreign countries. I may be in error. I think most of them merely filed their statements.

Mr. FULBRIGHT. How long did that testimony take?

Mr. LONG of Louisiana. Mr. President, we had planned 1 day of hearings. We thought that we would meet 1 day, because the Senate was not going to be in session that day, and that we would go ahead in the morning and see how far along we would get, and how much time was necessary in order that everybody could be heard.

The first witness who presented himself was Mr. Thomas Mann. One Senator interrogated Mr. Mann for a solid hour after Mann had made his statement and explained his views. By the time the various Senators who wanted to interrogate that witness at considerable length got through, they had had him sitting there for hours—and some of the Senators who took the most time wished to have a long lunch hour. So by the time they got through, 6 hours after he got there, we finally finished hearing Mr. Mann.

We heard from Mr. Schnittker first, and then from Mr. Mann. By the time the day was over we had heard two witnesses. We had heard a statement from one, and he was asked only about one question, so we got that over fairly rapidly.

The following day we met again, and I will frankly tell the Senator, I encouraged the people to get the hearings over. I said, "If you are for this bill, please do not kill it. If you sit around here and testify forever, we will never get the bill reported."

So some of the witnesses came in and filed their statements. But if anyone wanted to ask them a question, he could have asked any question he wanted.

The Senator from Arkansas wished to talk to these lobbyists, and find out how much they were paid, and who employed them, and when they were employed, and who they had talked to, I suppose. I have been on the committee of which the Senator is chairman when he spent a whole hearing investigating lobbyists. That is all right with me. I should be

happy to support the chairman if he wants to go back, as chairman of the Foreign Relations Committee, and investigate lobbyists until this time next year. That is all right with me; the Senator has done a wonderful job with that sort of thing. But sugar producers are going bankrupt while the Senator fiddles and faddles.

Mr. HICKENLOOPER. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I am happy to yield.

Mr. HICKENLOOPER. With regard to the Senator's remarks about the Senator from Arkansas investigating lobbyists, I took part in that investigation.

Mr. LONG of Louisiana. I salute the Senator.

Mr. HICKENLOOPER. I assure the Senator that it was our investigation and our attempts to control the nefarious plots of lobbyists which resulted in the Senator's interest in who paid the sugar lobbyists, and how much they were paid; and I think that was a very proper effort on the part of the committee.

Mr. LONG of Louisiana. Everyone is entitled to hire himself a lawyer, and he is not a crook because he does. There are many persons languishing in jail because they did not have a good lawyer.

Mr. President, as I say, we heard from all these people. We took testimony and heard arguments. Since we have reported the bill and amended it, and have also amended it to take care of one mistake which we thought we made, I have not heard one hint of criticism of what the Senate committee has done. The committee has discharged its responsibilities in the tradition of one of the most responsible committees. It deserves better treatment, when it comes out with a recommendation on responsible legislation in the history and tradition of the Senate, than merely to be brushed aside in favor of a small functionary in the Department of Agriculture discharging our responsibilities for us.

Mr. FULBRIGHT. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Arkansas is recognized for 3 minutes.

Mr. FULBRIGHT. I should like to set the record straight. There were only two foreign representatives of lobbyists who were heard in person. They appeared before 10 o'clock on a Friday morning. When I got there, about 5 or 10 minutes after 10, the committee had already been dismissed.

Mr. LONG of Louisiana. Mr. President, will the Senator from Arkansas yield at that point?

Mr. FULBRIGHT. I am only trying to set the record straight. The Senator from Louisiana does not deny that, does he?

Mr. LONG of Louisiana. Will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield.

Mr. LONG of Louisiana. We adjourned at 6 o'clock the evening before.

Mr. FULBRIGHT. I stated that.

Mr. LONG of Louisiana. In view of the fact that the Senator from Arkansas and the Senator from Illinois [Mr. Doug-

las] wished to ask so many questions of these witnesses, I said that we would come back at 9 o'clock tomorrow, hoping that there would be plenty of time for the two Senators to ask as many questions as they wished of the witnesses.

Mr. FULBRIGHT. The hearing had just begun and the Senator dismissed the hearing by 10 minutes after 10.

Mr. LONG of Louisiana. Let me ask the Senator: What does the Senator do with all the witnesses—

Mr. FULBRIGHT. The Senator has made his statement, and I merely wish to state the facts for the record. There were two witnesses. The House committee had 27 witnesses appear before it. I hold in my hand a list of witnesses who testified before the House committee and did not appear before our committee, which I ask unanimous consent to have printed in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

SENATE COMMITTEE ON FINANCE HEARING ON H.R. 11135, TO AMEND AND EXTEND THE PROVISIONS OF THE SUGAR ACT OF 1948, AS AMENDED, THURSDAY, OCTOBER 14, 1965

The Honorable John Schnittker, Under Secretary of Agriculture.

The Honorable Thomas Mann, Under Secretary of State.

Frank A. Kemp, in behalf of all segments of the domestic sugar-producing and refining industries.

John C. Lynn, American Farm Bureau Federation.

John Bleke, National Confectioners Association.

W. D. Pauly, Talisman Sugar Corp., Belle Glade, Fla.

Rudolph Miller, Imperial County Sugar Cane League, El Centro, Calif.

William L. Shea, Osceola Operating Corp., Belle Glade, Fla.

John Fleming Kelly, National Sugar Co., Sugar City, Colo.

Edwin H. Seeger, Peruvian Sugar Producers Association.

H. C. Laughlin, Owens-Illinois of the Bahamas, Ltd.

Oscar Chapman, Association of Sugar Producers of Mexico.

George Grant, Minister of Industry of Thailand.

Charles H. Brown, Sugar Industries of Fiji.

J. W. Riddell, Indian Sugar Mills Association.

Charles Patrick Clark, Venezuelan Sugar Distribution Association.

Robert C. Barnard, Australian Sugar Industry.

John R. Mahoney, South African Sugar Association.

Ganson Purcell, Rhodesia Sugar Association.

SENATE COMMITTEE ON FINANCE HEARING ON H.R. 11135, TO AMEND AND EXTEND THE PROVISIONS OF THE SUGAR ACT OF 1948, AS AMENDED, FRIDAY, OCTOBER 15, 1965

John Bleke, National Confectioners Association.

Rudolph Miller, Imperial County Sugar Cane League, El Centro, Calif.

William L. Shea, Osceola Operating Corp., Belle Glade, Fla.

John Fleming Kelly, National Sugar Co., Sugar City, Colo.

George Grant, Ministry of Industry of Thailand.

Edwin H. Seeger, Peruvian Sugar Producers Association.

H. C. Laughlin, Owens-Illinois of the Bahamas, Ltd.

FOREIGN LOBBYISTS NOT ON FINANCE COMMITTEE WITNESS LIST WHO TESTIFIED IN THE HOUSE COMMITTEE

1. Miss Dina Dellale represented: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica.

2. James M. Earnest represented: Mauritania.

3. Robert L. Farrington represented: Republic of China.

4. Seymour S. Guthman represented: Malagasy Republic.

5. John G. Laylin represented: Colombia.

6. Albert S. Nemir represented: Brazil.

7. John A. O'Donnell represented: Philippines.

8. Arthur L. Quinn represented: British West Indies.

9. Walter Surrey represented: Guadeloupe and Martinique.

Mr. FULBRIGHT. Mr. President, among the names is John A. O'Donnell, who represents the Philippines, and still does, and who was also the subject of considerable study by the Foreign Relations Committee before. But there are other witnesses listed here who testified in the House committee. Of those on the list, only two appeared before the Senate committee. Mr. Edwin H. Seeger, of the Peruvian Sugar Producers Association, and George Grant, of the Ministry of Industry of Thailand. The others submitted written statements.

I fully expected the opportunity to discuss some questions with some of them in the hearing on Friday which, as I said, was adjourned.

These are just the facts. The chairman feels that he has proper justification for that, and I am not trying to criticize the chairman. I am stating what actually happened.

The Senator from Louisiana declares that Congress fiddles and faddles until everyone goes broke. Congress has not fiddled and faddled. The bill came over only last Tuesday or Wednesday, I believe. It is a very important bill involving many, many hundreds of millions of dollars to the people of this country, and we spend 1 day on it, with the usual hours, from 10 until 6, as the Senator said, and about an hour the next morning. That was all the hearings. I submit that this is a rather short time.

It is too bad that every year—and this is not the first year—but every one that I can remember, the bill has nearly always been brought up in the last 2 or 3 days or the last week of a session, and we are always told that if we do not act immediately, without any hearings or much discussion, disaster will overtake the industry.

This condition is certainly not the fault of the Senate, so far as I know. I would not wish to begin to say whose fault it is, but it is unusual, it seems to me, that this particular bill follows this course so often. I know of no other bill of comparable importance which is presented year after year—sometimes more than a year, but every time it comes before the Senate at a very late date, which does not allow us enough time to consider it, or to develop questions.

One of the points I should like to ask about these lobbyists—and I am not saying, and have never said, that they were around here corrupting everyone—is:

What does a lobbyist do to justify paying him \$125,000 in the course of, let us say, 2 years, to get a quota, say, for Venezuela? What does he do?

Surely, most of the people who hire these lobbyists are not so rich that they can afford to throw away money like that. But, what kind of service does a lobbyist perform to earn that money? It seems to me a most pertinent question.

From past experience with similar lobbyists, what they do is convey to their clients, to their employers, or whichever country it may be, the fact that if they are in a position to purchase a sugar quota, they can arrange for one through Congress, which gives the implication that they have control over Congress.

To my own knowledge, in the cases we investigated, the lobbyists exerted no such influence over Congress but were preying upon their employers.

This situation I believe, is one which often influences our foreign relations. Regardless of the truth of the matter, in many cases which I had looked into, I do not believe there was a word of truth in what the lobbyist told his employer. He would write his employer—we had a case involving Trujillo—and he virtually said, "I am going to see Senator so and so, and Senator so and so will do whatever I say," the implication being that he had complete control over him.

This goes back to the various conclusions on some 27 cases which were heard which created the impression that Congress is for sale, and which creates the impression in foreign countries that Congress really is for sale.

This is what I meant about the procedure and the method followed here, which I believe to be bad, and also to be bad for our relations. It can be bad without a single thing being done which is improper in the way of the purchasing of influence in Congress itself.

Nevertheless, this does result in a bad impression being created in many foreign countries. This bad impression results, regardless of whether anything actually takes place, but I do not believe that the procedure followed in the handling of this kind of bill is sound.

The amendment I am suggesting is much better.

The PRESIDING OFFICER. Do both Senators yield back their time?

Mr. LONG of Louisiana. Mr. President, I wish to say one or two words. I regret that the Senator is not happy about the way the committee held its meetings.

Let me say that I serve on the Committee on Foreign Relations. I regret to say that I cannot always attend its meetings as much as I should like to do so. However, the distinguished chairman of that committee is always most fair, and I am happy to follow his procedures. I do not object to them for a moment. I cannot recall that I ever asked the Senator from Arkansas to keep his committee in session in time for me to get over there because, so far as I am concerned, if I cannot be there, I know

that the Senator from Arkansas is going to do a fine job and do what his conscience dictates.

Many times I have sent him a proxy, sight unseen, if I cannot be there, if he needs my vote, because he is an honorable and a conscientious Senator, who does the best he can.

With regard to the hearings we held, if the Senator had so much as telephoned the committee saying that he would be late and was not going to be able to attend the meeting which would start at 9 o'clock and would not be able to get there until 10 or shortly after, I would have been happy to have kept the committee in session until he arrived. If he had wished to question more than one particular witness, say, to ask him how he earned his \$125,000, I would have been happy to see that the session was kept open and the witness available, until the Senator had arrived.

But the Senator is chairman of the Committee on Foreign Relations and he has done a fine job with the lobbyists. I do believe that he has exposed some of the chicanery and some of the improper representation that some lobbyists have been known to make.

While I am very much in favor of the legal profession, I am also against any shyster or anybody who conducts himself improperly. So I hope Congress will not prejudice people who have conducted themselves completely appropriately and honorably, as I think the executive branch has, and as I think the House has, and as the Senate committee and the Senate have, in seeking to act responsibly on this measure.

There will always be somebody hiring a lobbyist, but the bill before the Senate puts the Senate in as favorable a light as we could achieve, no matter how we approached the problem.

If we agreed to the Senator's amendment, we would be relinquishing a responsibility that we ought to share with the Executive. If we proceed in this way we shall be doing justice and fairness to all countries. If someone thinks a certain country is treated unfairly, he can show it. This is a very popular bill. All the trading countries think it is a good bill.

Here is a pamphlet put out by the President, relating to the vital alliance, wherein are shown, in color, pictures of the President with the various Ambassadors from the countries. The President told them he was going to dispense with the import fee, so that the producers in those countries would have a price they could live under.

I hold in my hand a treaty providing that we were going to help these people get a price for commodities under which they could exist.

I hold in my hand the speech the President made. Here is a picture taken with the Ambassadors that the Ambassadors could send back to their governments to show what a fine job they were doing in representing their countries and getting a decent price for sugar so the people could get a decent price on the sugar shipped to the United States.

It would be better for Congress to share this responsibility with the President and take the burden off the President of having Ambassadors come knocking on his door four or five times a year, trying to squeeze a greater sugar quota out of him. They would put a burden on the President, whenever there is a crucial vote in an international body, of having some representative say, "I will vote with you if you will give us 10,000 tons."

If we follow this procedure, for example, and ask Venezuela to help us on a certain matter, the representative of Venezuela could say, "We will help you, but we want a bigger sugar quota."

If the President gives it to one country, he will have to take it away from another, and we may be accused of having turned our backs on a lifelong friend. Our approach is to share responsibility with the President. If we want to share responsibility, let us pass this bill, and have the President sign it, so he can deal with this problem.

Mr. MANSFIELD. Mr. President, will the Senator yield me 1 minute on the bill?

Mr. LONG of Louisiana. I yield.

VISIT BY HIGH SCHOOL SAMOAN DANCERS FROM AMERICAN SAMOA

Mr. MANSFIELD. Mr. President, the Senate is extremely fortunate to have visiting us today some fellow Americans, some fellow citizens, from American Samoa.

The Samoan Dancers are a selected group of high school students from American Samoa, and Mrs. Morris Scanlan is in charge of the group.

The purpose of the group coming to this country was to participate, last year and this year, in the New York World's Fair, which has just been finished, and also to establish scholarship funds for students in Samoa.

We are delighted to have these citizens visiting us today. We are happy with the impression they have made, and we are proud of the progress they have made, on their own responsibility, to make their own islands a better place in which to live and for contributing their labor and efforts to a worthy cause.

So, on behalf of the Senate, I extend a warm welcome to them at this time.

SUGAR ACT AMENDMENTS OF 1965

The Senate resumed the consideration of the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The PRESIDING OFFICER. All time on the amendment of the Senator from Arkansas has been yielded back. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Indiana [Mr. BAYH], the Senator from Maryland [Mr. BREWSTER], the Senator from Connecticut [Mr. DODD], the Senator from Ten-

nessee [Mr. GORE], the Senator from Indiana [Mr. HARTKE], the Senator from Missouri [Mr. LONG], the Senator from Rhode Island [Mr. PELL], the Senator from Virginia [Mr. ROBERTSON], and the Senator from New Jersey [Mr. WILLIAMS] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Idaho [Mr. CHURCH], the Senator from Indiana [Mr. HARTKE], the Senator from Wyoming [Mr. MCGEE], and the Senator from Georgia [Mr. RUSSELL], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Connecticut [Mr. DODD], and the Senator from New Jersey [Mr. WILLIAMS] would vote "yea."

On this vote, the Senator from Indiana [Mr. BAYH] is paired with the Senator from Maryland [Mr. BREWSTER]. If present and voting, the Senator from Indiana would vote "nay," and the Senator from Maryland would vote "yea."

On this vote, the Senator from Idaho [Mr. CHURCH] is paired with the Senator from Rhode Island [Mr. PELL]. If present and voting, the Senator from Idaho would vote "nay," and the Senator from Rhode Island would vote "yea."

On this vote, the Senator from Virginia [Mr. ROBERTSON] is paired with the Senator from Georgia [Mr. RUSSELL]. If present and voting, the Senator from Virginia would vote "yea," and the Senator from Georgia would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] is absent on official business.

The Senator from Iowa [Mr. MILLER] is absent by leave of the Senate.

The Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are necessarily absent.

The Senator from Massachusetts [Mr. SALTONSTALL] is detained on official business.

If present and voting, the Senator from Massachusetts [Mr. SALTONSTALL] and the Senator from Texas [Mr. TOWER] would each vote "nay."

The result was announced—yeas 38, nays 43, as follows:

[No. 292 Leg.]

YEAS—38

Aiken	Javits	Nelson
Bartlett	Kennedy, Mass.	Neuberger
Boggs	Kennedy, N.Y.	Pastore
Byrd, W. Va.	Kuchel	Pearson
Case	Lausche	Prouty
Clark	Magnuson	Proxmire
Cotton	Mansfield	Scott
Douglas	McClellan	Smith
Fulbright	McGovern	Stennis
Hart	McIntyre	Symington
Hickenlooper	McNamara	Williams, Del.
Hruska	Morse	Young, Ohio
Jackson	Morton	

NAYS—43

Allott	Fong	Moss
Bass	Gruening	Murphy
Bennett	Harris	Muskie
Bible	Hayden	Randolph
Burdick	Hill	Ribicoff
Byrd, Va.	Holland	Russell, S.C.
Cannon	Inouye	Simpson
Carlson	Jordan, N.C.	Smathers
Curtis	Jordan, Idaho	Talmadge
Dirksen	Long, La.	Thurmond
Dominick	McCarthy	Tydings
Eastland	Metcalf	Yarborough
Ellender	Mondale	Young, N. Dak.
Ervin	Monroney	
Fannin	Montoya	

NOT VOTING—19

Anderson	Hartke	Russell, Ga.
Bayh	Long, Mo.	Saltonstall
Brewster	McGee	Sparkman
Church	Miller	Tower
Cooper	Mundt	Williams, N.J.
Dodd	Pell	
Gore	Robertson	

So Mr. FULBRIGHT's amendment was rejected.

Mr. LONG of Louisiana. Mr. President, I offer an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 47, lines 23 and 24, it is proposed to strike out "products for human consumption" and insert in lieu thereof "byproducts for human food consumption."

Mr. LONG of Louisiana. Mr. President, I yield back all time on the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. MORSE. Mr. President, I offer an amendment and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 34, it is proposed to strike out the closing quotation marks in the table following line 3, and after such table insert the following:

"(C) For calendar years 1966 and 1967, by reducing the quotas provided by subparagraphs (A) and (B) by 844 short tons, raw value, and by prorating to Bolivia 422 short tons, raw value, and to Honduras, 422 short tons, raw value. For purposes of subsection (d) of this section and section 204 of this Act, Bolivia and Honduras shall be treated as countries listed in subparagraph (A)."

Mr. MORSE. Mr. President, I yield myself 5 minutes. I understand that I should ask unanimous consent in order to offer this amendment, because yesterday a line in the bill relating to the Malagasy Republic was amended, and my amendment pertains to the same part of the bill. I shall ask unanimous consent, but before Senators decide whether they wish to deny unanimous consent, I hope they will listen to my plea.

Mr. LONG of Louisiana. Mr. President, I do not believe there will be any objection. The Senator from Oregon can accomplish his purpose by amending any section of the bill.

Mr. MORSE. Mr. President, I ask unanimous consent that I may offer this amendment to a line of the bill that has previously been amended.

The PRESIDING OFFICER (Mr. HARRIS in the chair). Is there objection to the request of the Senator from Oregon? The Chair hears none, and it is so ordered.

Mr. MORSE. Mr. President, the amendment provides only that Honduras and Bolivia shall receive some allotment in the Senate bill. I plead with Senators not to let the bill leave the Senate with those two Latin American countries stricken from it. To do so would have a highly detrimental affect on our relationships with those two countries if they are not included.

Bolivia and Honduras are doing their best to promote some economic stability.

If there are any two countries in Latin America that we ought to be trying to help, they are Bolivia and Honduras. Bolivia is struggling nip and tuck not only from the standpoint of her entire economic stability, but is struggling nip and tuck from the standpoint of political stability, too. The administration in Bolivia ought at least to have this assistance from the Senate.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. MORSE. I yield to the Senator from Kentucky.

Mr. MORTON. I did not hear the reading of the entire amendment. Does it provide for Bolivia and Honduras?

Mr. MORSE. Bolivia and Honduras. I propose that Bolivia receive 422 short tons and Honduras 422 short tons. That is less than the House offers them.

I did not want the bill to leave the Senate with Bolivia and Honduras omitted. If Senators will ever take my word for anything, I hope they will take my word that in United States-Latin American relations, the omission of Bolivia and Honduras would be a serious mistake. As chairman of the Subcommittee on American Republics Affairs, I have spoken with officials of those countries, and they are deeply distressed. The question will be in conference anyway. I am not offering the House figure.

I cannot speak for him, but I understand that the Senator from Louisiana, who is in charge of the bill, will not raise any objection to my amendment, because he knows that the question will be in conference anyway.

Mr. MORTON. Mr. President, will the Senator from Oregon further yield?

Mr. MORSE. I yield.

Mr. MORTON. I support the Senator's amendment. I would support it if he restored the House figure. But the question will be in conference.

Am I not correct in saying that Honduras is one country that has furnished troops in connection with the Dominican Republic uprising?

Mr. MORSE. Yes.

Mr. MORTON. Is not Bolivia a member of the Security Council?

Mr. MORSE. That is correct.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. SMATHERS. I associate myself with the remarks of the able Senator from Oregon. In committee we wrestled with the problem and did not quite know how to proceed. We agreed that the question would be in conference. There is much sympathy in committee for the effort to do something to help Honduras and Bolivia.

I hope the Senate will accept the amendment and come out of conference with something in the nature of the authorization provided in the Senator's amendment.

Mr. MORSE. I do not often say this on the floor of the Senate; I usually say it to Senators in the cloakroom. However, I will say it in the Senate: I do not want my subcommittee to be placed in a position where those countries can say we did not try to do something for them.

on the floor of the Senate. It is very important.

Mr. SMATHERS. The Senator is correct.

Mr. MORSE. I should like to have the Senator from Louisiana comment on the amendment.

Mr. LONG of Louisiana. If new producers are to be included in the bill, these are the first two that ought to be added. I am convinced that we would have to agree in conference with the House to include something for those two countries. For that reason, I urged the Senator from Oregon not to offer his amendment. But I think we would agree to at least 1,000 tons in conference, so I have no objection to the amendment.

Mr. MORSE. The Senator from Louisiana further recalls that we added the Malagasy Republic yesterday, and I supported that amendment. A cipher was added to its amount, and I thought that was a mistake.

I yield back the remainder of my time.

Mr. LONG of Louisiana. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oregon.

The amendment was agreed to.

Mr. MORSE. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 33, in the table following line 8, it is proposed to strike out

"South Africa----- 124"

On page 34, line 2, strike out "South Africa."

On page 34, in the table following line 3, strike out the matter relating to South Africa.

On page 34, strike out the closing quotation marks in the table following line 3, and after such table insert the following:

"(C) For calendar years 1966 and 1967, by prorating to South Africa 4,223 short tons, raw value, to Bolivia 422 short tons, raw value, and to Honduras, 422 short tons, raw value, and by prorating 23,151 short tons, raw value, to the countries listed in subparagraph (A) on the basis of the quotas then in effect. For purposes of subsection (d) of this section and section 204 of this Act, South Africa, Bolivia and Honduras shall be treated as countries listed in subparagraph (A)."

On page 35, in the table following line 3, strike out the matter relating to South Africa and in lieu thereof insert the following:

"South Africa----- 5,777, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section."

Mr. MORSE. Mr. President, the Senate has already covered the Honduras and Bolivia aspect. What I now propose to do is to reduce the allotment for South Africa from 66,584 tons to 10,000 tons, and distribute the saving in the allotment on a pro rata basis among Latin American countries.

I am at a loss to understand why this allotment has been made to the Union of South Africa. We ought not to be giving this sort of aid to the Union of South Africa. We all know the serious foreign

policy problems the Union of South Africa presents. We know of her apartheid policy. We know of the great threat the Union of South Africa poses to Africa. In my judgment, there will be serious trouble in a few years over her policy.

I had some experience with the diplomacy of the Union of South Africa when I was a delegate to the United Nations. South Africa will not allow a U.N. inspection team to go into southwest Africa, which the Union of South Africa controls under an old League of Nations mandate. She claims, in effect, that the United Nations has not inherited the League of Nations mandate. I am satisfied that as a matter of international law the Union of South Africa is absolutely as wrong as she can be.

It is a great mistake to make this large allotment of sugar to the Union of South Africa. We ought to be helping our neighbors to the south. Therefore, I propose to reduce the allotment to the Union of South Africa to 10,000 tons, and to prorate the saving among Latin American countries.

Mr. LONG of Louisiana. Mr. President, there was a recommendation that South Africa receive a quota of 96,865 tons. When we were short on sugar and the housewife had to pay an outrageous price for sugar, we called upon South Africa to deliver sugar. South Africa came through magnificently and delivered sugar at a price below what they could have sold it for on the world market. They came through as good friends and allies. They have been our allies many times in war and in peace. I know that many get up and march out when a South African gets up to explain the problems which exist there. I have seen the indignities that those people are subjected to because certain practices are in existence there that are not in existence in other countries. The South Africans have been good friends of the United States.

Our committee did not treat the South African countries as well as we treated other countries. It was recommended that South Africa receive a quota of 96,865 tons. We cut that back to 66,584 tons. Instead of giving them full credit for what they did for us in our years of shortage, we took a 5-year average in which they had shipped us very little sugar.

We were not traditional customers of South Africa. We honored a commitment made by the Department of Agriculture which said: "If you deliver us sugar now, we will not forget you when sugar is in full supply."

We worked it out on about the basis of the McCarthy formula. This would have given South Africa exactly that figure of 66,584 tons. It was about midway between the big slice the House gave them and the administration recommendation. The amendment of the Senator would in effect say, "We want to discriminate against South Africa contrary to the commitment."

That would be most unfortunate. It would cause our good friends to think extremely poorly of us.

Mr. MORSE. Mr. President, without

injecting myself into any parliamentary difficulty later, I want it understood that I have modified my amendment to eliminate all reference to Bolivia and Honduras. The previous amendment would take care of that. That would in effect take the saving derived in the Union of South Africa and prorate it among Latin American countries.

Further debate with regard to the Union of South Africa is not needed. I do not believe we can justify this large allotment to the Union of South Africa.

I know what the Senator from Louisiana has said. However, if we can be delivered from our friends, we can take care of our enemies.

I cannot fail to protest this assistance to a country which, in my judgment, should not be receiving this kind of foreign aid. This program amounts, in effect, to foreign aid.

Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the senior Senator from Oregon.

The amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

Mr. LONG of Louisiana. Mr. President, I yield to the Senator from Wyoming such time as he may require.

Mr. SIMPSON. Mr. President, I am pleased with the sugar bill as reported by the Senate Finance Committee. Wyoming which has some of the best sugarbeet lands in the Nation, has been for many years seeking to get an increase in the amount of sugar that can be marketed by our growers and processors. I cosponsored the Senate sugar bill because I too, was eager that the domestic producers get a far greater proportion of the American market.

The provisions of this bill, which I hope the Senate will pass, gives 65 percent of the American sugar market to our own producers. This is a substantial improvement over past allocations. The Wyoming beet growers and all those who have tasted the superior beet sugar will be glad to know that of the 65 percent of the market allocated to our domestic producers, two-thirds of it will come from sugarbeets.

When we had the sugar crisis in 1963, caused by the failure of several of the foreign suppliers to meet our demands, the U.S. Department of Agriculture asked our beet sugar industry to increase its production.

Our Wyoming beet growers responded to the requests of our Government officials and increased their production in 1963 some 42 percent over 1962 levels. This increase amounted to nearly 700,000 hundredweight of refined sugar. This additional production could only come about with additional capital outlays for equipment, machinery, and

other expenditures on the part of our beet farmers in Wyoming.

Unless this legislation, which would increase the beet sugar marketing quota, is passed, our Wyoming beet growers will be required to take a 13-percent cut in acreage this year and further reductions in following years. Mr. President, it is important that we permit our own farmers to produce a sugar supply which can be depended upon by our American consumers at all times.

It is my understanding that there are hundreds of thousands of tons of refined sugar which have been produced by American farmers that under present law cannot be marketed. It is important that we permit this sugar to be marketed before we allow the foreign suppliers to fill the quotas.

Because sugar beets are extremely important to the economy of Wyoming and the Nation, I urge the Senate to pass this bill, H.R. 11135.

Mr. LONG of Louisiana. Mr. President, I yield 2 minutes to the Senator from Maryland.

Mr. BREWSTER. Mr. President, I support H.R. 11135 as reported by the Finance Committee but I do so with serious reservations about the action of the committee which limited the duration of the foreign quota provisions through 1967 instead of extending them along with the domestic provisions through 1971. Except for this one aspect the measure before us is a good bill and enjoys the support of the entire domestic sugar industry as well as the administration. Its passage is needed at this session.

However, it should be noted that the bill recommended by the administration and the domestic industry provided for a 5-year extension of both the foreign and domestic quotas. One of the purposes of the identical term was to enable the industry to plan ahead with some degree of assurance and stability. But the most important reason for this unanimous recommendation was to enable the cane sugar refining industry and the foreign raw sugar suppliers to gradually regain the tonnage increases they gave at great sacrifice to the beet and mainland cane areas to enable them to work off the heavy surpluses they had accumulated. It is axiomatic that any increase in beet quota causes a corresponding decrease in the volume of domestic cane sugar refining. The only way that refiners can regain their relative position in the industry is to recoup this initial loss over a term of years and it takes a full 5 years to do it.

The bitter legislative stalemate of 1964 came about as the result of provisions in the 1962 Sugar Act Amendments which provided for a reopening of the foreign quota provisions after 2 years instead of providing for the expiration at the end of the full term of the act in 1966. The opportunity was taken to seek increases in domestic quotas at that time.

Let us not invite a repetition of that experience. That the industry and the administration could agree to a common legislative proposal is a notable achievement. I hope that the conferees will do their best to restore this important 5-

year term to the foreign quota provisions of the act.

The PRESIDING OFFICER. Who yields time?

Mr. LONG of Louisiana. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Illinois is not present in the Chamber, and under the unanimous-consent agreement, he has control over half of the time.

Mr. LONG of Louisiana. Mr. President, I know of no request for time. That is the reason why I yield back the remainder of my time.

Mr. HOLLAND. Mr. President, I suggest the absence of a quorum.

Mr. BENNETT. Mr. President, will the Senator from Florida withhold his request?

The PRESIDING OFFICER. Will the Senator from Florida withhold his request momentarily?

Mr. HOLLAND. Mr. President, I withhold my request.

Mr. LONG of Louisiana. Mr. President, I have no request for time in which to debate the bill any further. I shall be glad to yield time to Senators who want to speak against the bill, if there are any other speeches.

Mr. SMATHERS. Mr. President, the Senator from Utah is handling the matter for the minority leader.

Mr. BENNETT. Mr. President, I shall be happy to yield back the time, if it is within the power of the minority leader, who appointed me to be a floor watcher during the consideration of the bill.

Mr. MANSFIELD. Mr. President, I suggest that all time be yielded back and that a brief quorum call be instituted and that, if the Senator from Illinois shows up on the floor and desires time, he be allowed any time that he desires.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, it is my understanding that the distinguished Senator from Illinois [Mr. DOUGLAS] does not desire any further time. I make the request on that basis.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana. I announce that the Senator from Indiana [Mr. BAYH], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. LONG], and the Senator from Rhode Island [Mr. PELL] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Idaho [Mr. CHURCH], the Sen-

ator from Indiana [Mr. HARTKE], the Senator from Wyoming [Mr. MCGEE], the Senator from Georgia [Mr. RUSSELL], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Arizona [Mr. HAYDEN] and the Senator from Georgia [Mr. RUSSELL] would each vote "yea."

On this vote, the Senator from Indiana [Mr. BAYH] is paired with the Senator from Idaho [Mr. CHURCH]. If present and voting, the Senator from Indiana would vote "nay," and the Senator from Idaho would vote "yea."

On this vote, the Senator from Wyoming [Mr. MCGEE] is paired with the Senator from Rhode Island [Mr. PELL]. If present and voting, the Senator from Wyoming would vote "yea," and the Senator from Rhode Island would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] is absent on official business.

The Senator from Iowa [Mr. MILLER] is absent by leave of the Senate.

The Senator from South Dakota [Mr. MUNDT] and the Senator from Texas [Mr. TOWER] are necessarily absent.

If present and voting, the Senator from Iowa [Mr. MILLER] and the Senator from Texas [Mr. TOWER] would each vote "yea."

The result was announced—yeas 69, nays 16, as follows:

[No. 293 Leg.]

YEAS—69

Aiken	Hart	Morse
Allott	Hickenlooper	Morton
Bass	Hill	Moss
Bennett	Holland	Murphy
Bible	Hruska	Muskie
Brewster	Inouye	Pearson
Burdick	Jackson	Prouty
Byrd, Va.	Jordan, N.C.	Randolph
Byrd, W. Va.	Jordan, Idaho	Ribicoff
Cannon	Kennedy, Mass.	Robertson
Carlson	Kennedy, N.Y.	Russell, S.C.
Clark	Kuchel	Saltonstall
Curtis	Lausche	Scott
Dirksen	Long, La.	Simpson
Dodd	Magnuson	Smathers
Dominick	Mansfield	Smith
Eastland	McCarthy	Stennis
Ellender	McClellan	Talmadge
Ervin	McGovern	Thurmond
Fannin	Metcalf	Tydings
Fong	Mondale	Williams, N.J.
Gruening	Monroney	Yarborough
Harris	Montoya	Young, N. Dak.

NAYS—16

Bartlett	Javits	Proxmire
Boggs	McIntyre	Symington
Case	McNamara	Williams, Del.
Cotton	Nelson	Young, Ohio
Douglas	Neuberger	
Fulbright	Pastore	

NOT VOTING—15

Anderson	Hartke	Mundt
Bayh	Hayden	Pell
Church	Long, Mo.	Russell, Ga.
Cooper	McGee	Sparkman
Gore	Miller	Tower

So the bill (H.R. 11135) was passed.

Mr. LONG of Louisiana. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. HOLLAND. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. LONG of Louisiana. Mr. President, I move that the Senate insist upon its amendments and request a conference with the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. TYDINGS in the

chair) appointed Mr. BYRD of Virginia, Mr. LONG of Louisiana, Mr. SMATHERS of Florida, Mr. WILLIAMS of Delaware, and Mr. BENNETT of Utah conferees on the part of the Senate.

Mr. LONG of Louisiana. Mr. President, in order that Senators may know precisely what the House did and what

the Senate has achieved on the bill which has just been passed with regard to foreign quotas, I ask unanimous consent to have printed in the RECORD a table which I have prepared for that purpose.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Sugar quotas for foreign countries under H.R. 10496, and the House and Senate versions of H.R. 11135 at sugar requirements level of 9,700,000 short tons, raw value (assuming in all those cases that domestic quotas have been increased by 580,000 to 6,390,000 tons)

[Short tons, raw value]

	Adminis- tration's H.R. 10496	House bill	Senate bill		Adminis- tration's H.R. 10496	House bill	Senate bill
A. For countries in the Western Hemisphere:				B. For countries outside the Western Hemisphere:			
Mexico.....	390,135	340,925	390,135	Australia.....	186,772	162,152	162,152
Dominican Republic.....	385,864	340,925	422,512	China, Republic of.....	67,431	67,293	67,431
Peru.....	240,824	272,013	272,013	France, French West Indies, Reunion ¹	50,841	42,970	42,970
Brazil.....	221,558	340,925	+272,013	India.....	96,865	64,861	64,861
British West Indies.....	122,017	150,397	122,017	South Africa.....	96,865	29,593	66,584
Ecuador.....	49,770	50,267	49,770	Fiji Islands.....	45,489	24,323	35,489
Colombia.....	27,829	42,970	27,829	Thailand.....	0	19,864	0
Costa Rica.....	34,786	42,159	34,786	Mauritius.....	14,985	14,188	14,985
Nicaragua.....	40,672	38,511	40,672	Swaziland.....	9,098	6,081	6,081
Guatemala.....	35,321	32,836	35,321	Southern Rhodesia.....	9,098	6,081	6,081
Venezuela.....	2,676	30,809	2,676	Malagasy Republic.....	7,492	6,081	7,492
El Salvador.....	17,125	30,403	17,125	Ireland.....	2,141	0	2,141
Haiti.....	18,731	28,782	18,731	Belgium.....	1,605	0	1,605
Panama.....	14,449	25,134	14,449	Turkey.....	1,605	0	1,605
Argentina.....	63,685	21,485	63,685				
British Honduras.....	4,281	19,864	4,281	Subtotal.....	590,287	443,487	479,477
Bolivia.....	0	4,054	1,000	Global quota (Cuban reserve withheld from net-importing countries and for nonperformance):			
Honduras.....	0	4,054	1,000				
Subtotal.....	1,669,713	1,816,513	1,790,015	Subtotal.....	2,260,000	2,260,000	*2,260,000
				Republic of the Philippines.....	1,050,000	1,050,000	1,050,000
				Total foreign, including Philippines...	3,310,000	3,310,000	3,310,000

¹ Administration recommendations treats these as an entity and included in countries outside the Western Hemisphere.

² Totals do not add because a proportionate share of each country's quota is used to provide new quotas for Bolivia, Honduras and the Malagasy Republic.

Mr. MANSFIELD. Mr. President, two things are abundantly clear in the wake of passage of the Sugar Act amendments. First, the bill involved questions as complicated and involved as any bill we have seen. Second, in the face of immense complexities and a wide spectrum of views, the junior Senator from Louisiana [Mr. LONG] did a magnificent job of managing the bill.

This is not the first time this year, by any means, that I have had the pleasure of rising to congratulate the able majority whip on his management of a bill. The Finance Committee seems to be a fertile spawning grounds for bills which are both highly technical and vitally important to this Nation. And Senator LONG, ably assisted by the distinguished junior Senator from Florida [Mr. SMATHERS], has been the committee's prime workhorse. I refer specifically to at least three other bills managed by the Senator from Louisiana: the Social Security Act amendments, which included medicare; the bill providing for excise tax reductions; and the legislation implementing the Automobile Parts Agreement with Canada.

Mr. President, that, indeed, is quite a record, and it is fitting, I believe, to take this occasion—passage of the Sugar Act amendments—to commend Senator LONG and Senator SMATHERS for their clearly demonstrated ability and their great teamwork.

As is always the case in this great body, the legislation passed would not be possible without the assistance—by way of committee work, amendments, or debate

on the floor—of many other Senators of both parties. With respect to this bill, I especially want to thank and congratulate the senior Senator from Illinois [Mr. DOUGLAS], the senior Senator from Minnesota [Mr. MCCARTHY], the junior Senator from Arkansas [Mr. FULBRIGHT], the senior Senator from Oregon [Mr. MORSE], the senior Senator from Ohio [Mr. LAUSCHEL], the senior Senator from Delaware [Mr. WILLIAMS], the senior Senator from Kentucky [Mr. MORTON] and many others.

The bill was treated thoroughly and efficiently. I commend this entire body.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed the following bills of the Senate, severally with an amendment, in which it requested the concurrence of the Senate:

S. 619. An act for the relief of Nora Isabella Samuelli;

S. 919. An act for the relief of Lt. Col. William T. Schuster, U.S. Air Force (retired); and

S. 1647. An act for the relief of Kim Sung Jin.

The message also announced that the House had passed the bill (S. 149) for the relief of Benjamin A. Ramelb, with amendments, in which it requested the concurrence of the Senate.

The message further announced that the House had passed the following bills

and joint resolution, in which it requested the concurrence of the Senate:

H.R. 1918. An act for the relief of Eligio Ciardiello;

H.R. 2349. An act for the relief of Robert Dean Ward;

H.R. 2768. An act for the relief of Emilia D'Addario Santorelli;

H.R. 3236. An act for the relief of Louis Shchuchinski;

H.R. 3500. An act for the relief of Mrs. Emilie Boulay;

H.R. 3537. An act for the relief of Albert Carter;

H.R. 5231. An act for the relief of Jack Ralph Walker;

H.R. 6112. An act for the relief of David Glenn Barker (Jai Yul Sung) and Richard Paul Barker (Pil Su Park);

H.R. 8353. An act for the relief of Becky Jo and Charles R. Smith;

H.R. 9442. An act for the relief of Ki Sook Jun; and

H.J. Res. 641. Joint resolution authorizing Father Managan's Boys Home to erect a memorial in the District of Columbia or its environs.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 337. An act for the relief of F. F. Hintz;

S. 343. An act for the relief of Paride Marchesan;

S. 374. An act for the relief of Dr. Castrillo (Fernandez);

S. 516. An act to amend the joint resolution entitled "Joint resolution to establish the Saint Augustine Quadricentennial Commission, and for other purposes," approved

August 14, 1962 (76 Stat. 386), to provide that eight members of such Commission shall be appointed by the President, and that such Commission may continue in existence until December 31, 1966;

S. 711. An act for the relief of Mrs. Hertha L. Wohlmutz;

S. 1735. An act relating to the use by the Secretary of the Interior of land at La Jolla, Calif., donated by the University of California for a marine biological research laboratory, and for other purposes; and

S. 2039. An act for the relief of Ken Allen Keene (Yasuo Tsukikawa).

HOUSE BILLS AND JOINT RESOLUTION REFERRED

The following bills and joint resolution were severally read twice by their titles and referred, as indicated:

H.R. 1918. An act for the relief of Eligio Cardillo;

H.R. 2349. An act for the relief of Robert Dean Ward;

H.R. 2768. An act for the relief of Emilia D'Addario Santorelli;

H.R. 3236. An act for the relief of Louis Shchuchinski;

H.R. 3500. An act for the relief of Mrs. Emilie Boulay;

H.R. 3537. An act for the relief of Albert Carter;

H.R. 5231. An act for the relief of Jack Ralph Walker;

H.R. 6112. An act for the relief of David Glenn Barker (Jai Yul Sung) and Richard Paul Barker (Pil Su Park);

H.R. 8353. An act for the relief of Becky Jo and Charles R. Smith;

H.R. 9442. An act for the relief of Ki Sook Jun; to the Committee on the Judiciary; and

H.J. Res. 641. Joint resolution authorizing Father Flanagan's Boys Home to erect a memorial in the District of Columbia or its environs; to the Committee on Rules and Administration.

SUPPLEMENTAL APPROPRIATIONS, 1966

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 898, H.R. 11588 and that it be laid down and made the pending business.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 11588), making supplemental appropriations for the fiscal year ending June 30, 1966, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Appropriations, with amendments.

Mr. PASTORE. Mr. President—

The PRESIDING OFFICER. The Senator from Rhode Island is recognized.

Mr. JAVITS. Mr. President, will the Senator from Rhode Island yield?

Mr. PASTORE. I am glad to yield to the Senator from New York, provided that in doing so I shall not lose my right to the floor.

UNITED STATES-ISRAEL RELATIONS AND FOREIGN AID

Mr. JAVITS. Mr. President, Israel is the country most often cited as an ex-

ample of how our foreign aid program has worked to help change the face of a nation. Ambassador John Kenneth Galbraith, in an article which appeared in *Foreign Affairs* in April 1961, said it well:

One country that has shown great advance since the war, including great capacity to make effective use of aid, has been Israel. It is singularly unendowed with natural resources. It has no oil wells, few minerals, insufficient water, and not much space. But all of the four elements mentioned—high literacy and a highly educated elite, the sense and the reality of social justice, an effective government, and a strong sense of purpose—are all present. So there is rapid progress.

Israel has indeed made good use of our aid. It has built a country that could serve as a model to its neighbors, if only those neighbors would transform their continuing hostility into peaceful cooperation. Israel does serve as a model to many of the new nations of Asia and Africa, who look to her for guidance and technical know-how because they know that many of their problems were once Israel's problems and that these problems can be surmounted by modern skills—and in what can only be called record time.

We recognize Israel's phenomenal accomplishments and we salute her. But this is not the time to turn away with compliments for a job well done.

Although Israel's economy has prospered—her currency reserves have increased to about \$700 million—there is another side to the picture.

Israel's foreign currency debt rose in 1964 from \$919 million to \$1,097 million, a debt burden that, per capita, is the highest in the world. And despite rising exports, her trade deficit is still about \$450 million a year.

Israel is faced with a security problem that is unique and seriously threatens her economic viability. She is surrounded by hostile nations who are busily stockpiling arms—which they receive either as gifts or at discount prices. Israel pays top prices for the arms she must have to protect herself. No country gives her arms. No country sells her arms at a discount.

It is a hard fact of life that Israel cannot ignore the hate of which she is the target or the vulnerability of her position. She must arm herself to deter the aggression that otherwise might overwhelm her. And so the resources that could go into creating soil out of sand and settling people on reclaimed desert must perforce go for arms.

It is astonishing to realize that in a country as small as Israel, 60 percent of the land is uninhabitable. Israel needs this area, now desert; it cannot afford to let it lie fallow. It needs the land to settle refugees who still look to Israel for a haven—for farming, for industrial use. This will be possible only through irrigation. And in this connection, I want to stress that our cooperation with Israel in a desalting project may well be the answer—not only in Israel but in many places throughout the world.

We are now extending to Israel 20-year development loans at 3.5 percent interest. If we continue making these loans, that country can continue to build.

And if we continue selling her our surplus foods for Israel pounds, she can continue to increase her imports from us. There has been a lot of talk in Congress about the waste of counterpart funds. But Israel has used these funds well; she has increased her imports from the United States and we have been a beneficiary.

The Near East Report of October 4, 1965, contains an analysis of Israel's economic problems and what our aid has done to help her economy. This article, I believe, makes it clear that premature termination of our aid can be a serious setback to a country which still faces difficult economic hurdles, and I therefore ask unanimous consent to have it printed in the RECORD.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

ANALYSIS: A DEBT IS REPAYED

Last Thursday, on September 30, Ambassador Avraham Harman of Israel handed a check for \$60,000 to Harold F. Linder of the Export-Import Bank.

It was the final payment on the \$135 million Export-Import Bank Loans which President Truman authorized when the United States extended de jure recognition to Israel in 1949.

The bank charged interest at the rate of 3.5 percent. Over the years, the Israelis paid \$43.4 million in interest along with the \$135 million principal.

When that loan was first extended, many people had grave doubts about the prospects of Israel's survival, let alone its ability to make ends meet and pay its debts. For the new state was still subject to the threat of hostilities. There was an uneasy truce and the U.N. armistice agreements had not been consummated. Israel was resettling tens of thousands of Jewish refugees, survivors of the Hitler concentration camps. Its economy produced little to feed and support its people and its new immigrants. Its imports totaled \$156 million—about six times its exports of \$25 million.

In those early years there were no governmental grants or soft loans to Israel. The Marshall plan was restoring the economies of Western Europe. The United States had not begun to extend economic aid to the Near East.

GRANT AID BEGINS

The change came in 1951. In that year, the Israel economy was overwhelmed by the 3-year influx of some 600,000 refugees and immigrants from D.P. camps, from Arab lands, from behind the Iron Curtain. Israel was in desperate need of grant assistance. Congressional leaders Senators PAUL H. DOUGLAS, Democrat, of Illinois, and the late Robert A. Taft, Republican, of Ohio, were joined by 34 other Senators and by House leaders JOHN W. MCCORMACK, Democrat, of Massachusetts, and JOSEPH W. MARTIN, Republican, of Massachusetts, in sponsoring legislation to aid Israel. Congress approved a grant for \$65 million.

Grant aid was continued for a number of years, but it began to drop and ended in 1961. Meanwhile, the character of U.S. aid changed. The United States began to provide Israel with surplus foods, and it extended Israel development loans. At first these loans were repayable in Israel pounds, over long periods, and at minimal interest rates. Gradually, the interest rates were raised and Israel was required to pay in dollars.

For the Israel economy began to gain. There were other sources of aid.

West Germany paid reparations to the Israel Government as well as restitution to individuals.

ministration. There is very little evidence that the idea was thoroughly studied, carefully considered, and recommended to Congress in a manner which indicated the administration was prepared to administer the program effectively.

This has been a problem with a great deal of legislation this year. We have received recommendations from the executive branch but not the detailed proposals for the proper administration of the program which would give the Congress confidence in the readiness and ability of the administration to do the job. The majority leader of the Senate recently complained that Congress will have to spend much of its second session repairing the omissions and deficiencies of the legislation we passed this year. I see no reason to compound the problem.

The SPEAKER. All time has expired. Mr. POWELL. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

MOTION TO RECOMMIT

Mr. QUIE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the conference report?

Mr. QUIE. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. QUIE, of Minnesota, moves to recommit the conference report on the bill (H.R. 9567) to the committee of conference with instructions to the managers on the part of the House to insist upon the deletion of part B of title V of the bill, which would authorize the establishment of a National Teacher Corps.

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 152, nays 226, not voting 54, as follows:

[Roll No. 376]

YEAS—152

Abbitt	Clancy	Griffin
Abernethy	Clawson, Del	Gross
Adair	Cleveland	Gruber
Anderson, Ill.	Collier	Gubser
Andrews,	Colmer	Gurney
Glenn	Conable	Haley
Arends	Corbett	Hall
Ashbrook	Cramer	Halleck
Ashmore	Cunningham	Hansen, Idaho
Ayres	Curtin	Hardy
Baldwin	Curtis	Harsha
Bates	Dague	Harvey, Ind.
Battin	de la Garza	Harvey, Mich.
Belcher	Derwinski	Henderson
Betts	Devine	Herlong
Bolton	Dickinson	Horton
Bow	Dole	Hull
Bray	Dowdy	Hutchinson
Brock	Downing	Jarman
Broomfield	Duncan, Tenn.	Johnson, Pa.
Broyhill, N.C.	Dwyer	Jonas
Broyhill, Va.	Ellsworth	Jones, Mo.
Buchanan	Erlenborn	Keith
Burleson	Findley	King, N.Y.
Burton, Utah	Fisher	Kornegay
Byrnes, Wis.	Ford, Gerald R.	Kunkel
Cabell	Fountain	Laird
Cahill	Fulton, Pa.	Langen
Casey	Gathings	Latta
Cederberg	Gettys	Lipscob
Chamberlain	Goodell	Long, La.

McClory	Pool
McCulloch	Quie
McEwen	Quillen
McMillan	Reid, Ill.
MacGregor	Reinecke
Mahon	Rhodes, Ariz.
Mailliard	Roberts
Marsh	Rogers, Fla.
Martin, Ala.	Rogers, Tex.
Mathias	Rumsfeld
Michel	Satterfield
Minshall	Saylor
Mize	Schneebell
Moore	Schweiker
Morton	Shriver
Nelsen	Sikes
Passman	Skubitz
Pelly	Smith, Calif.
Pirnie	Smith, N.Y.
Poff	Smith, Va.

NAYS—226

Adams	Gray	Olsen, Mont.
Addabbo	Green, Oreg.	Olson, Minn.
Albert	Green, Pa.	O'Neill, Mass.
Anderson,	Greigg	Ottinger
Tenn.	Grider	Patman
Annunzio	Griffiths	Patten
Ashley	Hagen, Calif.	Pepper
Bandstra	Halpern	Perkins
Barrett	Hamilton	Philbin
Beckworth	Hanley	Pickle
Bennett	Hanna	Pike
Bingham	Hansen, Iowa	Powell
Blatnik	Hansen, Wash.	Price
Boggs	Harris	Pucinski
Boland	Hathaway	Purcell
Bonner	Hawkins	Race
Brademas	Hays	Randall
Brooks	Hechler	Redlin
Brown, Calif.	Helstoski	Reid, N.Y.
Burke	Hicks	Resnick
Burton, Calif.	Hollifield	Reuss
Byrne, Pa.	Holland	Rhodes, Pa.
Callan	Howard	Rivers, Alaska
Cameron	Hungate	Rodino
Carey	Huot	Rogers, Colo.
Carter	Ichord	Ronan
Celler	Irwin	Roncallo
Chelf	Jacobs	Rooney, N.Y.
Clark	Jennings	Rooney, Pa.
Clevenger	Johnson	Rosenthal
Cohelan	Johnson, Calif.	Rostenkowski
Conte	Johnson, Okla.	Roush
Conyers	Jones, Ala.	Roybal
Cooley	Karsten	Ryan
Corman	Karth	St Germain
Craley	Kastenmeier	St. Onge
Daddario	Kee	Scheuer
Daniels	Kelly	Schisler
Davis, Ga.	King, Calif.	Schmidhauser
Dawson	King, Utah	Scott
Delaney	Kluczynski	Searest
Dent	Krebs	Selden
Denton	Landrum	Sennor
Donohue	Long, Md.	Shipley
Dow	Love	Sickles
Dulski	McCarthy	Slack
Duncan, Oreg.	McDade	Smith, Iowa
Dyal	McDowell	Staibbaum
Edmondson	McFall	Steed
Edwards, Calif.	McGrath	Stephens
Edwards, La.	McVicker	Stratton
Evans, Colo.	Macdonald	Stubblefield
Everett	Machen	Sweeney
Evins, Tenn.	Mackie	Teague, Tex.
Fallon	Madden	Todd
Farbstein	Matsunaga	Trimble
Farnsley	Meeds	Tupper
Farnum	Miller	Tuten
Fascell	Mills	Udall
Feighan	Minish	Ullman
Fino	Mink	Van Deerlin
Flood	Moeller	Vanik
Fogarty	Monagan	Vigorito
Foley	Moorhead	Vivian
Ford,	Morris	Watts
William D.	Morrison	Weltner
Fraser	Moss	White, Idaho
Friedel	Multer	Willis
Fulton, Tenn.	Murphy, Ill.	Wilson,
Gallagher	Murphy, N.Y.	Charles H.
Garmatz	Murray	Wolf
Gialmo	Natcher	Wright
Gibbons	Nedzi	Yates
Gilbert	Nix	Young
Gilligan	O'Brien	Zablocki
Gonzalez	O'Hara, Ill.	
Grabowski	O'Hara, Mich.	

NOT VOTING—54

Andrews,	Aspinall	Bolling
George W.	Baring	Callaway
Andrews,	Bell	Clausen,
N. Dak.	Berry	Don H.

Culver	Lennon	Robison
Davis, Wis.	Lindsay	Roudebush
Diggs	Mackay	Sisk
Dingell	Martin, Mass.	Staggers
Dorn	Martin, Nebr.	Sullivan
Edwards, Ala.	Matthews	Talcott
Flynt	May	Tenzer
Frelinghuysen	Morgan	Thomas
Fuqua	Morse	Thompson, N.J.
Hagan, Ga.	Mosher	Thompson, Tex
Hébert	O'Konski	Toll
Hosmer	O'Neal, Ga.	Tunney
Keogh	Poage	Walker, N. Mex.
Kirwan	Reifel	Watkins
Leggett	Rivers, S.C.	Wilson, Bob

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Hagan of Georgia for, with Mr. Keogh against.

Mr. Don H. Clausen for, with Mr. Leggett against.

Mr. O'Neal of Georgia for, with Mr. Tenzer against.

Mr. Hébert for, with Mr. Kirwan against.

Mr. Matthews for, with Mr. Staggers against.

Mr. Lennon for, with Mr. Thompson of New Jersey against.

Mr. Dorn for, with Mr. Culver against.

Mr. Rivers of South Carolina for, with Mr. Mackay against.

Mr. Edwards of Alabama for, with Mr. Bell against.

Mr. Roudebush for, with Mrs. Sullivan against.

Mr. Davis of Wisconsin for, with Mr. Toll against.

Mr. Bob Wilson for, with Mr. Sisk against.

Mr. George W. Andrews for, with Mr. Dingell against.

Mrs. May for, with Mr. Walker of New Mexico against.

Until further notice:

Mr. Thomas with Mr. Hosmer.

Mr. Thompson of Texas with Mr. Talcott.

Mr. Aspinall with Mr. Andrews of North Dakota.

Mr. Baring with Mr. Reifel.

Mr. Diggs with Mr. Frelinghuysen.

Mr. Fuqua with Mr. Callaway.

Mr. Flynt with Mr. O'Konski.

Mr. Morgan with Mr. Robison.

Mr. Tunney with Mr. Martin of Massachusetts.

Mr. JONES of Missouri changed his vote from "nay" to "yea."

Mr. RHODES of Pennsylvania changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on agreeing to the conference report.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 313, nays 63, not voting 57, as follows:

[Roll No. 377]

YEAS—313

Abbitt	Beckworth	Burke
Adair	Bennett	Burton, Calif.
Adams	Betts	Burton, Utah
Addabbo	Bingham	Byrne, Pa.
Albert	Blatnik	Cabell
Anderson, Ill.	Boggs	Cahill
Anderson,	Boland	Callan
Tenn.	Bolton	Cameron
Annunzio	Bonner	Carey
Arends	Bow	Carter
Ashley	Brademas	Casey
Ayres	Bray	Cederberg
Baldwin	Brock	Celler
Bandstra	Brooks	Chamberlain
Barrett	Broomfield	Chelf
Bates	Brown, Calif.	Clark
Battin	Broyhill, Va.	Cleveland

Clevenger	Hollifield	Pirnie
Cobelan	Holland	Powell
Conable	Horton	Price
Conte	Howard	Pucinski
Conyers	Hull	Purcell
Cooley	Hungate	Race
Corbett	Huot	Randall
Corman	Ichord	Redlin
Craley	Irwin	Reid, N.Y.
Cramer	Jacobs	Reinecke
Cunningham	Jarman	Resnick
Curtis	Jennings	Reuss
Daddario	Joelson	Rhodes, Pa.
Daniels	Johnson, Calif.	Rivers, Alaska
Davis, Ga.	Johnson, Okla.	Roberts
Dawson	Johnson, Pa.	Rodino
de la Garza	Jones, Ala.	Rogers, Colo.
Delaney	Karsten	Rogers, Fla.
Dent	Karsh	Ronan
Denton	Kastenmeier	Roncallo
Donohue	Kee	Rooney, N.Y.
Dow	Keith	Rooney, Pa.
Dowdy	Kelly	Rosenthal
Downing	King, Calif.	Rostenkowski
Dulski	King, N.Y.	Rough
Duncan, Oreg.	King, Utah	Roybal
Duncan, Tenn.	Kluczynski	Rumsfeld
Dwyer	Kornegay	Ryan
Dyal	Krebs	St. Germain
Edmondson	Kunkel	St. Onge
Edwards, Calif.	Landrum	Scheuer
Edwards, La.	Langen	Schisler
Ellsworth	Latta	Schmidhauser
Evans, Colo.	Long, Md.	Schneebeli
Everett	Love	Schweiker
Evins, Tenn.	McCarthy	Scott
Fallon	McCulloch	Secrest
Farbstein	McDade	Selden
Farnsley	McDowell	Senner
Farnum	McEwen	Shipley
Fascell	McFall	Shriver
Feighan	McGrath	Sickles
Fino	McVicker	Sikes
Flood	Macdonald	Skubitz
Fogarty	Machen	Slack
Foley	Mackie	Smith, Iowa
Ford, Gerald R.	Madden	Smith, N.Y.
Ford,	Mahon	Smith, Va.
William D.	Mailliard	Springer
Fraser	Marsh	Stafford
Friedel	Mathias	Stakkaum
Fulton, Pa.	Matsunaga	Stanton
Fulton, Tenn.	Meeds	Steed
Gallagher	Miller	Stephens
Garmatz	Mills	Stratton
Gaimo	Minish	Stubblefield
Gibbons	Mink	Sweeney
Gilbert	Minshall	Taylor
Gilligan	Mize	Teague, Calif.
Gonzalez	Moeller	Teague, Tex.
Grabowski	Monagan	Thomson, Wis.
Gray	Moore	Todd
Green, Oreg.	Moorhead	Trimble
Green, Pa.	Morris	Tupper
Greigg	Morrison	Tuten
Grider	Morton	Udall
Griffiths	Moss	Ullman
Grover	Multer	Van Deerlin
Gubser	Murphy, Ill.	Vanik
Hagen, Calif.	Murphy, N.Y.	Vigorito
Halleck	Murray	Vivian
Halpern	Natcher	Watts
Hamilton	Nedzi	Weltner
Hanley	Nix	Whalley
Hanna	O'Brien	White, Idaho
Hansen, Idaho	O'Hara, Ill.	White, Tex.
Hansen, Iowa	O'Hara, Mich.	Wideman
Hansen, Wash.	Olsen, Mont.	Willis
Hardy	Olson, Minn.	Wilson
Harris	O'Neill, Mass.	Charles H.
Harvey, Ind.	Ottlinger	Wolf
Harvey, Mich.	Patman	Wright
Hathaway	Patten	Wyatt
Hawkins	Pelly	Wylder
Hays	Pepper	Yates
Hechler	Perkins	Young
Helstoski	Philbin	Zablocki
Herlong	Pickle	
Hicks	Pike	

NAYS—63

Abernethy	Colmer	Goodell
Andrews,	Curtin	Griffin
Glenn	Dague	Gross
Ashbrook	Derwinski	Gurney
Ashmore	Devine	Haley
Belcher	Dickinson	Hall
Broyhill, N.C.	Dole	Henderson
Buchanan	Erlenborn	Hutchinson
Burleson	Findley	Jones, Mo.
Byrnes, Wis.	Fisher	Laird
Clancy	Fountain	Lipscomb
Crawson, Del.	Gettys	Long, La.
Collier		McClory

McMillan	Quillen
MacGregor	Reid, Ill.
Martin, Ala.	Rhodes, Ariz.
Michel	Rogers, Tex.
Nelsen	Satterfield
Passman	Saylor
Poff	Smith, Calif.
Pool	Tuck
Quile	Utt

NOT VOTING—57

Andrews,	Fuqua	O'Neal, Ga.
George W.	Hagan, Ga.	Poage
Andrews,	Harsha	Reifel
N. Dak.	Hébert	Rivers, S.C.
Aspinall	Hosmer	Robison
Baring	Jonas	Roudebush
Bell	Keogh	Sisk
Berry	Kirwan	Staggers
Bolling	Leggett	Sullivan
Callaway	Lennon	Talcott
Clausen,	Lindsay	Tenzer
Don H.	Mackay	Thomas
Culver	Martin, Mass.	Thompson, N.J.
Davis, Wis.	Martin, Nebr.	Thompson, Tex.
Diggs	Matthews	Toll
Dingell	May	Tunney
Dorn	Morgan	Walker, N. Mex.
Edwards, Ala.	Morse	Watkins
Flynt	Moher	Wilson, Bob
Frelinghuysen	O'Konski	

So the conference report was agreed to.
The Clerk announced the following pairs:

On this vote:

Mr. Keogh for, with Mr. Hagan of Georgia against.

Mr. Leggett for, with Mr. Don H. Clausen against.

Mr. Kirwan for, with Mr. O'Neal of Georgia against.

Mr. Staggers for, with Mr. Matthews against.

Mr. Thompson of New Jersey for, with Mr. Lennon against.

Mr. Toll for, with Mr. Dorn against.

Mr. Tenzer for, with Mr. Hébert against.

Mr. Aspinall for, with Mr. George W. Andrews against.

Mr. Bell for, with Mr. Edwards of Alabama against.

Mrs. May for, with Mr. Bob Wilson against.

Mr. Robison for, with Mr. Davis of Wisconsin against.

Until further notice:

Mr. Tunney with Mr. Callaway.

Mr. Walker of New Mexico with Mr. Talcott.

Mr. Mackay with Mr. Watkins.

Mr. Morgan with Mr. Roudebush.

Mr. Flynt with Mr. Martin of Massachusetts.

Mr. Fuqua with Mr. Hosmer.

Mr. Rivers of South Carolina with Mr. Jonas.

Mr. Baring with Mr. Martin of Nebraska.

Mr. Culver with Mr. Andrews of North Dakota.

Mr. Dingell with Mr. Harsha.

Mr. Diggs with Mr. Lindsay.

Mr. Sisk with Mr. Frelinghuysen.

Mr. Thomas with Mr. Morse.

Mr. Thompson of Texas with Mr. Berry.

Messrs. TUCK and McCLOREY changed their vote from "yea" to "nay."
The result of the vote was announced as above recorded.
A motion to reconsider was laid on the table.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate insists upon its amendments to the bill (H.R. 11135) entitled "An act to amend and extend the provisions of the Sugar Act of 1948, as amended, requests a conference with the

House on the disagreeing votes of the two Houses thereon, and appoints Mr. BYRD of Virginia, Mr. LONG of Louisiana, Mr. SMATHERS, Mr. WILLIAMS of Delaware, and Mr. BENNETT to be the conferees on the part of the Senate.

THE SUGAR BILL

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 11135) with Senate amendment thereto, disagree to the amendment of the Senate, and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. COOLEY, POAGE, ABERNETHY, PURCELL, MORRISON, MATSUNAGA, DAGUE, BELCHER, and TEAGUE of California.

RIVERS AND HARBORS ACT OF 1965

Mr. FALLON. Mr. Speaker, I call up the conference report on the bill (S. 2300) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of October 18, 1965.)

Mr. FALLON. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, we have before us the conference report on the bill S. 2300. The work on this bill began back last January when the Members of the House started to introduce bills for projects in their districts, and reports from the Corps of Engineers began to accumulate. It was necessary to have reports from the different agencies in order for us to be able to make a comprehensive study of each project. I do not think there was a day when I came on the floor that a Member did not say something to me in regard to a project he had before our committee.

Hearings were held by the subcommittee chairman of the rivers and harbors [Mr. BLATNIK] and chairman of the Subcommittee on Flood Control [Mr. JONES]. These gentlemen held 6 weeks of hearings, at which time they considered every project that was before our committee.

Only those projects were included which had a favorable benefit-to-cost ratio and which in our judgment would further the economy of this country. In many instances, of course, these projects involve flood control to protect the

DIGEST of Congressional Proceedings

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Issued Oct. 25, 1965
For actions of Oct. 22, 1965
89th-1st; No. 198

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HIGHLIGHTS: See page 7

SENATE

1. SUGAR. By a 41-10 vote, agreed to the conference report on H. R. 11135, the sugar bill (pp. 27337-46). By a 174-88 vote, the House also agreed to the report (pp. 27540-7). This bill will now be sent to the President.
2. FEDERAL PAY BILL. Passed, 67-0, with amendments this bill, H. R. 10281 (pp. 27365-76). The House concurred in the Senate amendments (pp. 27307-15). This bill will now be sent to the President.

3. FARM LABOR. Sens. Holland and Murphy defended the Mexican farm labor program and reported on progress made with the Labor Department in this connection. pp. 27207-8
4. FOOD-FOR-PEACE. Sen. Gruening criticized shipments to Egypt under the food-for-peace program and inserted various statements on this matter. pp. 27412-23
5. EXHIBITION. The Foreign Relations Committee reported without recommendations and with amendments H. R. 30, to provide for U. S. participation in the Inter-American Cultural and Trade Center in Dade County, Fla. (S. Rept. 937)(p. 27117). After discussion, Sen. Williams, Del., objected to consideration of the bill (pp. 27142-3, 27193-5).
6. BEEF EXPORTS. Several Senators were added as cosponsors of S. 2658, to study problems relating to beef exports. p. 27136
Sen. Harris reported on progress made regarding beef exports and inserted various statements. pp. 27406-7
7. LEGISLATIVE ACCOMPLISHMENTS. Sens. Mansfield and Dirksen inserted statements on accomplishments during the session. pp. 27136-8, 27221-36, 27433-46
8. ALASKA EXPOSITION. Passed with amendments S. 2614, to provide for U. S. participation in the statewide exposition to be held in Alaska during 1967. pp. 27164-5, 27184-90
9. RESEARCH. Sen. Yarborough spoke in favor of the Government's retention of the right to information developed from research financed by it. pp. 27205-7
10. SEN. ELLENDER was praised by several Senators. pp. 27208-18
11. BUILDINGS AND GROUNDS. Passed without amendment H. R. 9830, to amend the Federal Property and Administrative Services Act so as to authorize reimbursement to a State or political subdivision thereof for sidewalk repair and replacement or to make other arrangements therefor. This bill will now be sent to the President. pp. 27218-9
12. DATA PROCESSING. Passed without amendment H. R. 4845, to provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies (pp. 27219-21). This bill had been reported without amendment earlier in the day by the Government Operations Committee (S. Rept. 938). The bill will now be sent to the President.
13. USER CHARGES. Both Houses received from this Department a proposed bill to place the meat and poultry inspection programs on a self-supporting basis, and the Senate received from this Department a proposed bill to provide for user charges relating to inspection, classification, certification, testing, and identification of cotton, tobacco, and grain, and the examination of licenses under the Warehouse Act; to Senate Agriculture and Forestry Committee and House Agriculture Committee. pp. 27347, 27616
14. APPROPRIATIONS. Sen. Mundt inserted and discussed a "Projection of trends in appropriations for Federal departments and agencies, fiscal years 1967-70," issued by the Library of Congress. pp. 27360-1
15. NATIONAL WINE WEEK. Sen. Kuchel spoke in commemoration of this Week. pp. 27364-7

SUGAR ACT AMENDMENTS OF 1965

OCTOBER 22, 1965.—Ordered to be printed

Mr. COOLEY, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 11135]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *That this Act may be cited as the "Sugar Act Amendments of 1965"*.

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2)(A) of subsection (a) are amended to read as follows:

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar.....	3, 025, 000
Mainland cane sugar.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	6, 390, 000

"(2)(A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c)(1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsection (a) and (b) of this section.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For the calendar year 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines, Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland and the Bahama Islands, among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere:

"Country	Per centum
Cuba.....	50.00
Mexico.....	7.73
Dominican Republic.....	7.56
Brazil.....	7.56
Peru.....	6.03
British West Indies.....	3.02
Ecuador.....	1.10
French West Indies.....	.95
Argentina.....	.93
Costa Rica.....	.89
Nicaragua.....	.89
Colombia.....	.80
Guatemala.....	.75
Panama.....	.56
El Salvador.....	.55
Haiti.....	.42
Venezuela.....	.38
British Honduras.....	.22
Bolivia.....	.09
Honduras.....	.09

“(B) For countries outside the Western Hemisphere:

<i>“Country</i>	<i>Per centum</i>
<i>Australia</i> -----	<i>3.60</i>
<i>Republic of China</i> -----	<i>1.50</i>
<i>India</i> -----	<i>1.44</i>
<i>South Africa</i> -----	<i>1.06</i>
<i>Fiji</i> -----	<i>.79</i>
<i>Thailand</i> -----	<i>.33</i>
<i>Mauritius</i> -----	<i>.33</i>
<i>Malagasy Republic</i> -----	<i>.17</i>
<i>Swaziland</i> -----	<i>.13</i>
<i>Southern Rhodesia</i> -----	<i>.13</i>

“(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of five thousand three hundred and fifty-one short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: Provided, That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled with sugar produced in such country.”

(4) Subsections (d), (e), and (f) are hereby amended and subsection (g) is added to read as follows:

“(d) Notwithstanding any other provision of this Act—

“(1)(A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

“(i) any quantity of quota withheld from Cuba at a determination up to and including the amount of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

“(ii) any quantity of quota withheld from Cuba at a determination in excess of the amount of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph (3)(A) of subsection (c) that are members of the Organization of American States on the basis of the percentages stated therein.

“(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(3)(A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

“(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term ‘quota’ as defined in this Act shall include a temporary quota established under this subsection.

“(2)(A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity

of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under paragraph (1) (B) of this subsection: *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

“(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

“(3) No quota shall be established for any country, other than the Bahama Islands, Bolivia, Honduras, and Ireland, for the year following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

“(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such event), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

“(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to para-

graph (1) of this subsection and the quota established pursuant to subsection (c).

“(6) If any foreign country fails to give assurance to the Secretary, on or before December 31, 1965, that such country will fill the quota as established for it under subsection (c)(3) and paragraph (1) of this subsection for years after 1965, the quota for such country for such years shall be reduced to the amount which the country gives assurance that it will fill for such years. The portion of the quota for such country for which such assurance is not given shall be withdrawn for such years and a quantity of sugar equal to such portion shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of applying paragraph (4) of this subsection, any reduction in the quota of a foreign country under this paragraph shall be disregarded.

“(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d)(1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: Provided, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

“(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

“(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: Provided, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

“(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d)(2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.”

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

“SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c)(3)(A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the

deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries: Provided, That any deficit resulting from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: And provided further, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under the foregoing provisions of this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c)(3)(B) or section 202(c)(4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(B) on the basis of the quotas then in effect for such countries: Provided, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined for any country listed in section 202(c)(3)(B), he shall allocate such unfilled amount to the countries so listed on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(B) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that the Republic of the Philippines will be unable to market its quota, he shall allocate an amount of sugar equal to the deficit to the countries listed in section 202(c)(3) on the basis of the quotas then in effect for such countries. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. In making allocations for foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would other-

wise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

“(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure.*”

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended, (1) by inserting after the third sentence thereof the following new sentence: “The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of any processor of sugarcane, other than a processor-refiner, may, in the discretion of the Secretary, be increased by an additional six thousand two hundred short tons of sugar, raw value: Provided, further, That the total increases in marketing allotments made pursuant to this sentence to processors in the domestic beet sugar area shall be limited to twenty-five thousand short tons of sugar, raw value, for each calendar year and to processors in the mainland cane sugar area shall be limited to sixteen thousand short tons of sugar, raw value, for each calendar year.*”; and (2) by adding at the end of subsection (a) the following sentence: “If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount.”

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

“SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.*

“(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

“(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act.”

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

“(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

“(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: Provided, That the quotas for Ireland, and Panama may be filled by direct-consumption sugar to the extent of five thousand three hundred and fifty-one short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama.”

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words “any sugar or liquid sugar” and inserting in lieu thereof the following: “any sugar or liquid sugar in excess of one hundred pounds in any calendar year”.

SEC. 9. (a) Section 212 of the Sugar Act of 1948, as amended, is amended by inserting before the period at the end thereof the following: “, or for the production (other than by distillation) of alcohol, including all polyhydric alcohols, but not including any such alcohol or resulting by-products for human food consumption”.

(b) Section 6418(a) of the Internal Revenue Code of 1954 is amended—

(1) by inserting “OR PRODUCTION” after “DISTILLATION” in the heading of such section, and

(2) by inserting after “the distillation of alcohol,” in the text of such section the following: “or for the production of alcohol (other than alcohol produced for human food consumption),”.

(c) The heading of section 6511(e)(1) of the Internal Revenue Code of 1954 is amended by inserting "OR PRODUCTION" after "DISTILLATION".

SEC. 10. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 11. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows: "In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(4) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short

tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than sixteen thousand short tons of sugar, raw value for each such crop which shall be allocated to relieve hardship on the part of new producers in such manner as the Secretary may determine: *Provided, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965 crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph.*"

SEC. 12. (1) Subsection (b) of section 402 of the Sugar Act of 1948, as amended, is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program.*"

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reestablished in the same calendar year.*"

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is amended to read as follows:

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise

so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act."

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 13. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 14. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966. The amendments made by section 9 of this Act shall become effective on the date of the enactment of this Act.

And the Senate agree to the same.

HAROLD D. COOLEY,
W. R. POAGE,
THOMAS G. ABERNETHY,
GRAHAM PURCELL,
JAMES H. MORRISON,
SPARK M. MATSUNAGA,
PAUL B. DAGUE,
PAGE BELCHER,
CHARLES M. TEAGUE,
Managers on the Part of the House.

HARRY F. BYRD,
RUSSELL B. LONG,
GEORGE SMATHERS,
WALLACE BENNETT,
Managers on the Part of the Senate.

STATEMENT OF MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses to the amendment of the Senate to the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report.

The amendment of the Senate struck out all after the enacting clause of the House bill and substituted language which generally followed the structure of the House bill but was different in numerous substantial respects. The following summary indicates the major differences between the House version of the bill and the substitute to the Senate amendment agreed to by the conferees.

FOREIGN QUOTAS

The conference substitute makes no change in the quota provisions of the House bill with respect to domestic areas (including Puerto Rico and the Virgin Islands) and the Republic of the Philippines.

The House bill set the Cuban share of the foreign quota, other than that for the Philippines, at 44.25 percent. The Senate bill set the Cuban quota at 55.77 percent of the foreign share. The substitute agreed to by the conferees places the Cuban quota at 50 percent of the total foreign share, other than that allotted to the Philippines.

So long as Cuba is not in diplomatic relations with the United States, the entire Cuban quota is held in reserve and allocated to other foreign countries, other than the Republic of the Philippines, on a pro rata basis. The effect of the conference action with respect to the Cuban quota is that exactly 50 percent of each foreign quota listed in the following table will be statutory quota for the life of the act and the other 50 percent will be its allocation of the Cuban reserve. The latter is subject to reallocation to Cuba in the event that diplomatic relations with that country are resumed.

The following table shows, at the consumption level of 9.7 million tons the approximate tonnage of the quota allotted to each foreign country under the conference agreement with the exception of Cuba and the Philippines.

Basic quotas and participation in the Cuban reserve for foreign countries at sugar requirements level of 9.7 million tons

[Short tons, raw value]

Countries	Conference agreement	House bill	Senate bill
A. For countries in the Western Hemisphere:			
Mexico.....	348,501	340,925	390,135
Dominican Republic.....	340,925	340,925	422,512
Peru.....	272,013	272,013	272,013
Brazil.....	340,925	340,925	272,013
British West Indies.....	136,000	150,397	122,017
Ecuador.....	49,770	50,267	49,770
Colombia.....	36,000	42,970	27,829
Costa Rica.....	40,000	42,159	34,786
Nicaragua.....	40,000	38,511	40,672
Guatemala.....	34,000	32,836	35,321
Venezuela.....	17,000	30,809	2,676
El Salvador.....	25,000	30,403	17,125
Haiti.....	18,731	28,782	18,731
Panama.....	25,134	25,134	14,449
Argentina.....	42,000	21,485	63,685
British Honduras.....	10,000	19,864	4,281
Bolivia.....	4,054	4,054	1,000
Honduras.....	4,054	4,054	1,000
French West Indies.....	42,970	42,970	42,970
Subtotal.....	1,827,077	1,859,483	1,832,985
B. For other countries:			
Australia.....	162,152	162,152	162,152
China, Republic of.....	67,431	67,293	67,431
India.....	64,861	64,861	64,861
South Africa.....	48,000	29,593	66,584
Fiji Islands.....	35,489	24,323	35,489
Thailand.....	15,000	19,864	
Mauritius.....	14,985	14,188	14,985
Swaziland.....	6,081	6,081	6,081
Southern Rhodesia.....	6,081	6,081	6,081
Malagasy Republic.....	7,492	6,081	7,492
Ireland.....	5,351		2,141
Belgium.....			1,605
Turkey.....			1,605
Subtotal.....	432,923	400,517	436,507
Total.....	2,260,000	2,260,000	2,260,000

DURATION OF FOREIGN QUOTAS

The present act terminates December 31, 1966. Under the House bill the quotas for all foreign countries would be in effect through 1971. Under the Senate amendment, the quotas for foreign countries other than the Philippines would be in effect only for 1966 and 1967. The conference substitute follows the House bill in this respect. All quotas, both foreign and domestic, established by the bill will be in effect through the calendar year 1971.

COUNTRIES WHICH ARE NET IMPORTERS OF SUGAR

The House bill prohibits the establishment of a quota for a country for any year if, during the 24-month period ending June 30 preceding such year, it has been a net importer of sugar. The conference substitute continues this provision but exempts Ireland, Bolivia, Honduras, and the Bahamas from application of its provisions.

MAINTENANCE OF A RESERVE

Both the House bill and the Senate amendment encouraged foreign countries to maintain a reserve of not less than 15 percent of their quota. The House bill also contained a provision requiring countries

with quotas of more than 200,000 tons to retain a reserve of up to 30 percent of their quota until July 1 of each year. The conference substitute has omitted this 30-percent provision of the House bill.

ADVANCE ASSURANCE BY FOREIGN COUNTRIES

The Senate amendment included a provision requiring each foreign country other than the Philippines to give assurance to the Secretary of Agriculture prior to December 31, 1965, that it would fill the quotas assigned to it for subsequent years. The quota of any country failing to give such assurance would be reduced proportionately. The House bill contained no such provision. The conferees agreed on this provision of the Senate amendment.

QUARTERLY LIMITATION OF IMPORTS

The conference substitute includes a provision of the Senate amendment authorizing the Secretary to limit the amount of sugar which may be imported during the first two quarters of any year. The House bill did not contain this provision.

ALLOCATION AND PRORATION OF DEFICITS

The provisions of the conference substitute to the Senate amendment relating to the proration and allocation of deficits follows in general the provisions of the House bill. The conferees have retained a provision of the present law requiring the Secretary of Agriculture to give special consideration to those countries purchasing U.S. agricultural commodities.

This provision appears in the conference substitute ahead of the provision, which was common to both bills, authorizing the President, in the national interest to disregard pro rata allocation of deficits and assign deficits to any country which has a quota in effect. Thus, it is clear that the President's authority to make such special assignment of deficits is not restricted by the provisions relating to purchase of agricultural commodities.

It is the intention and the request of the committee of conference that the President should use this authority to assign about 3,000 tons of deficit to Bolivia, a sufficient amount of deficit to Venezuela to bring its quota up to 25,000 tons or an amount above that comparable to other countries in its vicinity, and to provide a substantial amount of additional quota to the Dominican Republic, in line with the discussion of the Dominican quota in the House report, if the political situation in that Republic warrants such action.

NEW SUGARCANE MILL

The House bill provided for a reserve of 25,000 tons for a new sugarcane processing facility after 1966 and after the consumption estimate had exceeded 10,400,000 tons. This provision is omitted in the conference substitute.

NATIONAL RESERVES

The House bill contained a provision establishing a national reserve of 25,000 tons of the beet quota and 25,000 tons of the mainland cane quota to be used by the Secretary to alleviate hardship and inequities.

The Senate amendment retained the national reserve with respect to beets but did not include a national reserve with respect to cane.

The conference substitute has reinstated the House provision relating to a national reserve of the cane quota with amendments reducing the amount of the reserve to 16,000 tons and making certain other modifications in its provisions.

It is the intention of the committee of conference that the national reserve provided for cane should be used first for the purposes outlined in the House report on the bill (6,200 tons for a Louisiana processor and the acreage to produce 2,000 tons for a Louisiana producer) and that the balance of such reserves should be used to alleviate hardships and inequities in other areas. Conforming changes with respect to proportionate shares are also made in the conference substitute.

INDUSTRIAL ALCOHOL

The Senate amendment permits the use of sugar (without regard to quota restrictions) in the production of alcohol, except alcohol and resulting byproducts for human food consumption. The quota exemption under present law applies only to sugar used in the distillation of alcohol, not in the production of alcohol by methods other than distillation. The conference substitute includes this provision of the Senate amendment.

HAROLD D. COOLEY,
W. R. POAGE,
THOMAS G. ABERNETHY,
GRAHAM PURCELL,
JAMES H. MORRISON,
SPARK M. MATSUNAGA,
PAUL B. DAGUE,
PAGE BELCHER,
CHARLES M. TEAGUE,
Managers on the Part of the House.

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may lay around the corner if we continue to conduct a war under peacetime policies and funding. We must have forces that are responsive to the needs of the Vietnam war without having to strip equipment and manpower from the rest of the Army units. However, at this time, it is still necessary to borrow equipment from units in the United States and elsewhere in order to supply units now in or going to Vietnam. Further, steps must be taken immediately to procure and replace this loaned equipment and to meet the expanding needs of the war in Vietnam.

Since we started our inquiry and after we had made our interim findings, we were told the rating system being used by the Army had no bearing whatsoever on the combat readiness of the Army. I think the general's definition and description of the rating system speaks for itself and believe it is a reasonable yardstick against which to actually measure Army readiness. At least the Army says so.

On the basis of this rating system our investigations revealed some rather serious deficiencies. These facts are presented in our classified interim report and the accuracy of the lists of shortages presented in that report is unchallenged since they were extracted from Army reports. The significance of the shortages as they affect readiness has been disputed. In spite of the Defense Department denial that there were any significant or critical shortages of Army equipment, spare parts, and so forth, the Secretary of Defense allocated over \$600 million out of the two recent Defense supplemental appropriations to the Army to buy equipment and ammunition for use in Vietnam and elsewhere. I want to make it very clear that the Army has acted promptly and effectively once they have received the money and the authorization to go ahead in starting procurement of the needed items. Procurement of large amounts of much-needed equipment, such as helicopters and vehicles, is now underway. Entire ammunition production plants are being taken out of mothballs and put back into production. While the Army is working to solve these problems, and has made some headway, much remains to be done. The simple fact is, there is not enough equipment to go around and meet the full requirements of the drain of Vietnam and other programed requirements elsewhere.

The continued stepped-up supplies must continue to move.

We will continue our inquiry to insure that it is factual, complete, and thorough and so the Senate and the Nation can be kept informed.

I commend the Secretary of Defense for filling the gaps and I strongly urge the Secretary of Defense to continue at an even greater rate effective action to bring all of our defense forces up to the readiness they must have to meet their commitments and contingencies.

Mr. President, I wish to thank and

also commend the membership of our subcommittee, the Preparedness Subcommittee. The subcommittee has the following membership: The Senator from Missouri [Mr. SYMINGTON], the Senator from Washington [Mr. JACKSON], the Senator from Nevada [Mr. CANNON], the Senator from West Virginia [Mr. BYRD], the Senator from Massachusetts [Mr. SALTONSTALL], the Senator from Maine [Mrs. SMITH], and the Senator from South Carolina [Mr. THURMOND].

I have the privilege of being the chairman.

My fellow members have worked hard and have given a great deal of their time and talent to our hearings and deliberations during the entire calendar year. They are knowledgeable, and have long experience in the subject matter; they exercise discretion and have sound judgment. Further, this is not a one-person committee, or a chairman's committee, by any means. Our actions represent the considered judgment of all members. We are not wedded to unanimity, but seldom have a divided vote on final conclusions.

I do not evaluate my own work, of course, but the work of the other members of this committee and the work of the staff this year has covered many major matters in our military departments. The studies and reports on Army readiness have been of tremendous benefit and have hastened the time when these deficiencies are being overcome.

Certainly the Congress has a positive and continuing duty and responsibility concerning the readiness of all of our Armed Forces.

Further, we are not only constitutional officers, but we are positively and expressly charged by article I, section 8 of the Constitution, which provides:

The Congress shall have power * * * to raise and support armies * * * and provide for the common defense.

As one of the agencies of the Senate, we expect to carry out this mission to the best of our ability. Nothing shall deter us from this course.

We are most grateful for the opportunity and the encouragement given us by the parent body of which we are Members, the U.S. Senate.

Mr. SMATHERS. Mr. President, I move that the Senate stand in recess subject to the call of the Chair.

The motion was agreed to; and (at 9 o'clock and 39 minutes p.m.) the Senate took a recess, subject to the call of the Chair.

The Senate reconvened at 9 o'clock and 56 minutes p.m., when called to order by the Presiding Officer (Mr. RUSSELL of South Carolina in the chair).

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. Rus-

SELL of South Carolina in the chair). Without objection, it is so ordered.

The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended.

SUGAR ACT AMENDMENTS OF 1965— CONFERENCE REPORT

Mr. SMATHERS. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report. (For conference report, see House proceedings of today.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. SMATHERS. Mr. President, the Senate has just received this conference report. It was approved by the House by a vote of 174 to 88.

The Senate passed the Sugar bill on Tuesday by a vote of 69 to 16. The most important features of the House bill involve the distribution of foreign quotas. The Senate made a substantial number of changes in this distribution before approving the bill.

The conferees also made a substantial number of changes. Thirty-one countries were involved in the quota distribution. The quotas for six of these countries were not at issue in the conference since both the House and Senate bill provided the same amounts. The House conferees accepted the quotas set by the Senate for four countries. The Senate agreed to the amounts fixed by the House for four countries, and we compromised the rest of the quotas.

Under the conference agreement, Mexico, the Dominican Republic, Brazil, and Peru are to be our largest suppliers of sugar in that order. For the information of the Senate, I ask unanimous consent that there be printed in the RECORD at this point a table showing the distribution of the foreign quotas under the House bill, the Senate amendment, and under the conference agreement.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Basic quotas and participation in the Cuban reserve for foreign countries at sugar requirements level of 9,700,000 tons

[In short tons, raw value]

Countries	Conference agreement	House bill	Senate bill
A. For countries in the Western Hemisphere:			
Mexico.....	348,501	340,925	390,135
Dominican Republic.....	340,925	340,925	422,512
Peru.....	272,013	272,013	272,013
Brazil.....	340,925	340,925	272,013
British West Indies.....	136,000	150,397	122,017
Ecuador.....	49,770	50,267	49,770
Colombia.....	36,000	42,970	27,829
Costa Rica.....	40,000	42,159	34,786
Nicaragua.....	40,000	38,511	40,672
Guatemala.....	34,000	32,836	35,321
Venezuela.....	17,000	30,809	2,676
El Salvador.....	25,000	30,403	17,125
Haiti.....	18,731	28,782	18,731
Panama.....	25,134	25,134	14,449
Argentina.....	42,000	21,485	63,685
British Honduras.....	10,000	19,864	4,281
Bolivia.....	4,054	4,054	1,000
Honduras.....	4,054	4,054	1,000
French West Indies.....	42,970	42,970	42,970
Subtotal.....	1,827,077	1,859,483	1,832,985
B. For other countries:			
Australia.....	162,152	162,152	162,152
China, Republic of.....	67,431	67,293	67,431
India.....	64,861	64,861	64,861
South Africa.....	48,000	29,593	66,584
Fiji Islands.....	35,489	24,323	35,489
Thailand.....	15,000	19,864	14,985
Mauritius.....	14,985	14,188	6,081
Swaziland.....	6,081	6,081	6,081
Southern Rhodesia.....	6,081	6,081	6,081
Malagasy Republic.....	7,492	6,081	7,492
Ireland.....	5,351	2,141	1,605
Belgium.....			1,605
Turkey.....			
Subtotal.....	432,923	400,517	436,507
Total.....	2,260,000	2,260,000	2,260,000

Mr. SMATHERS. I might state, for the benefit of the Senators, that we have copies of the table here on the desk, if they care to see it.

Considerable interest was expressed in the Senate and elsewhere as to comparative treatment of two of our foreign suppliers, one of which employed a lawyer to advance their cause while the other did not. The two countries are Argentina and Venezuela. The administration had recommended a quota for Argentina of 63,000 tons. This recommendation was cut to 21,000 tons by the House. The Argentina quota was restored to 63,000 tons by the Senate, thus, conforming to the administration's recommendation. Because the House was adamant in its recommendation, and because the Senate conferees did not feel they could accept the House position, the conferees split the difference and fixed the Argentina quota at 42,000 tons. The other country, Venezuela, would have had a quota of 2,600 tons under the administration's recommendation. Venezuela received a quota of more than 30,000 tons under the House bill. The increase was interpreted by some to be the result of that country's foresight in hiring a good lawyer to advance their cause. The Senate fixed the Venezuela quota at 2,600 tons conforming to the administration's recommendation.

Because the House conferees were again adamant in their position, and because the Senate conferees believed that we needed a bill, and we would not accept the House position, we again split the difference. Under the conference agreement the Venezuelan quota is to be 17,000 tons. I can say categori-

cally that no lobbyist had anything to do with the final determination of these quotas by the conferees.

Another compromise worked out by the conferees dealt with the amount of the Cuban reserve. Under the House bill, 44.25 percent of our foreign sugar requirements is reserved for Cuba in the event she rejoins the free countries of the world. The Senate bill reserved 57.77 percent for this purpose. The conferees have decided to reserve 50 percent for Cuba. This correspondingly means that each country's permanent quota is larger, and that one-half of the amount presently allocated to each foreign country comes out of the Cuban reserve. The House conferees also insisted on their amendment, which provides a quota after 1967 of 10,000 tons for the Bahamas. Except for Mexico, this country will be our nearest off-shore supplier. However, they will be required to demonstrate that they are a sugar-producing country for 2 years before they are entitled to any quota whatsoever.

Under the conference agreement, growth in our sugar market would be shared proportionately by all the countries of the world. Deficits in any country's quota would be allocated within the Western Hemisphere if the country involved is a Western Hemisphere country and it would be allocated to non-Western Hemisphere countries if the country involved is located outside of the Western Hemisphere. These are rules that were contained in the House bill, but are substantially similar to rules which we had in the Senate bill. In allocating deficits, the Secretary of Agriculture is to favor countries which agree to buy U.S. agri-

cultural products. He is also urged by the conferees to allocate a share of any deficit which might occur to the Dominican Republic, Bolivia, and Venezuela.

The House accepted the Senate amendments which require advance assurance by foreign countries that they will fill the quotas authorized by the bill for them. The House conferees also accepted the Senate amendments authorizing quarterly limitations on imports in the first two quarters of each year. This will assure orderly marketing of sugar in the early part of the year when the domestic price is substantially higher than the world price and will thereby protect domestic sugar producers from a price decline. The House conferees also accepted the Senate amendment relating to industrial alcohol. This amendment was offered in the Senate by the distinguished Senator from Delaware [Mr. WILLIAMS].

Both the House and Senate bills reserved 25,000 tons to provide relief from hardship for certain small beet sugar processors.

That was known in the Senate as the Carlson amendment. This issue was not in conflict. The House bill provided relief for certain cane processors and growers but these features of the House bill were deleted by the Finance Committee. That was known as the Morrison amendment. In conference, the House conferees insisted that hardship cases in the cane area, just as in the beet producing area, should be dealt with. Under a compromise worked out by your conferees, 16,000 tons is to be available for this purpose. The restrictive language of the House amendment has been modified, however, to enable the Secretary of Agriculture to allocate acreage or marketing allotments, as the case may be, to relieve hardships in his discretion.

One of the most important amendments in the House bill related to the duration of foreign quotas. The House bill extended foreign quotas through 1971 just as it did domestic quotas. The Senate, while agreeing to the 6-year period for domestic quotas, cut the term of foreign quotas down so that they would apply only in 1966 and 1967. The House conferees flatly and utterly refused to compromise this Senate amendment. They insisted on their version of the bill. A number of the House conferees did advise us that personally they preferred a shorter period, but the 6-year extension was part of the industrywide agreement on which the whole sugar program this year is based.

That is the agreement between the cane producers, the beet producers, the processors, the refiners, and everybody who was involved in this bill.

Mr. BENNETT. Mr. President, will the Senator yield at that point?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Utah, who was a member of the conference committee.

Mr. BENNETT. This is probably the most important single point in the conference, and when the Senate conferees gave up and agreed with the House on the proposition, it was with the understanding that the question involved the

security of the refiners operating on the Atlantic coast. They felt that they were entitled to the secure knowledge that they would have a firm supply of sugar for this length of time.

This had no effect on the domestic industry because, with the exception of some of the cane sugar from Florida and Louisiana, these people refine no sugar produced on the mainland, so their chief reliance is on foreign trade. They took the position—with which I cannot quarrel too much—that they were entitled to the same assurance of a continued source of supply as are the domestic producers.

Mr. SMATHERS. I thank the able Senator from Utah. I believe everyone who is knowledgeable on the problem would agree that without the cooperation of the refineries, frankly, we would not have been able to obtain a sugar bill at all.

Mr. FONG. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. FONG. The quotas go up to 1971; is that not correct?

Mr. SMATHERS. The Senator is correct, and they will be at the same rate as the domestic quota, limitations, and allocations.

Mr. FONG. I thank the Senator.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to the Senator from Montana.

Mr. MANSFIELD. I note in the conference report that Mexico, for which the administration requested 390,135 tons, and for which the House allowed 340,975 tons in its version, but for which the Senate in turn, earlier this week, when it considered the bill, allowed 390,135 tons, has now been reduced in conference from 390,135 tons, which is the administration and Senate figure, to 348,501 tons.

The Senator is aware, of course, that there is an imbalance of trade between Mexico and the United States, and that the trade itself is very much in favor of this country, I believe to the extent of \$800 million. Mexico has been a good friend of ours. This is one of the problems which was discussed—as was the problem of cotton—at the time of the Mexico-United States Interparliamentary Conference which had its fifth meeting in La Paz, Baja California, earlier this year.

Could the Senator give the Senate an explanation as to why the administration figure and the Senate figure was reduced to the figure agreed to in the conference report?

Mr. SMATHERS. I shall be happy to try to do that for the benefit of the able majority leader.

First, we had arrived at a split figure of 365,000 tons which was a 50-percent break—the House gave 50 percent and the Senate gave 50 percent. For the better part of the morning we thought that that was the figure on which we would finally agree. However, several members of the House conferees felt—and I must be candid about this—that

Mexico had not been as helpful with respect to the Cuban problem, with respect to the Dominican Republic problem, and with respect to cooperation in the Alliance for Progress, as Mexico might have been. They stated that they could not vote and would not vote for it, and did not feel they could explain a larger quota for Mexico than what we report here tonight. However, I personally agree very much with the statement just made by the Senator from Montana.

They refused to yield on this particular point. It was then pointed out that there is, customarily, a deficit in the Puerto Rican allocation. It runs up to 200,000 tons a year. The President has authority, under the provisions of this bill, to give to Mexico that amount of the deficit which the President thought Mexico should be and would be entitled to.

Mr. MANSFIELD. Do I correctly understand, then, that on the basis of the 150,000 to 200,000 set-aside tons which are under the control of the President, it would be possible for him, if he so desired, to allocate to Mexico or any other country a portion of that set-aside, if he thought it was in the national interest?

Mr. SMATHERS. The Senator has stated it exactly.

Mr. MANSFIELD. Then I would assume that the President would keep in mind the fact that, so far as the balance of trade is concerned with Mexico to the South, it is very much in our favor.

Mr. SMATHERS. I agree with the Senator from Montana. Obviously, it is in our favor. As an individual conferee, let me say that I share the views now being expressed so ably by the majority leader.

Mr. MANSFIELD. I point out that the Senate has two standing parliamentary groups which operate each year. There is the Canadian-United States group, which meets twice a year, I believe, under the chairmanship of the distinguished Senator from Vermont [Mr. AIKEN]; and there is the Mexican-United States group, which has now been in operation for 5 years—not quite so long as the Canadian group—usually under the chairmanship of the distinguished Senator from Alabama [Mr. SPARKMAN].

We have been endeavoring, through the Interparliamentary groups, to bring about a better understanding of one another's needs so that we could develop a closer relationship. We believe that on the whole, we have been fairly successful. Thus, I would hope that the President would give serious consideration to the figures which the administration advanced, of 390,135 tons, and also the Senate recommendation, a recommendation which won approval in this body, the figure being the same as that advanced by the administration, and consider making up the difference—insofar as it is possible in relation to Mexico, on the basis of good relations and in the national interest—between 348,501 tons agreed to in conference, and the Senate and administration figures. I would hope

that the committee would see fit to recommend that, and I hope that the Senator from Florida could give me some assurance that it could be accomplished.

Mr. SMATHERS. I thank the Senator from Montana. Certainly, I can speak only for myself as one of the individual conferees. I personally would recommend it.

Mr. AIKEN. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. AIKEN. I join the Senator from Montana in expressing the very earnest hope that the President, in allocating the 150,200 tons, will give consideration to Mexico, not only because Mexico is one of our best customers—and we have a balance of trade amounting to several hundreds of millions of dollars a year, as we do with Canada—but also because it is worth something to the United States to have a border north and south between two countries where we do not have to keep large contingents of troops all the time.

If we were to add up the cost of what it would take to maintain security with some other country bordering us on the north and south, and add that to the balance of trade in our favor, I believe that it would be found we are very fortunate to have Canada as a neighbor on the north, and Mexico on the south.

It may be that Mexico does not wish to go to war with everyone, whenever someone in this country asserts that we should go to war with them. It may be that they are using fully as good judgment as we are, in some respects. But I earnestly hope that the President will take care of this deficiency in the Mexican quota.

Mr. SMATHERS. I thank the able Senator from Vermont. I feel reasonably certain that he will, particularly when the administration itself recommended for Mexico 390,000 tons, whereas the conference recommends specifically giving only 340,000 tons.

Mr. AIKEN. Let me ask the Senator from Florida whether the amount available to the President for an additional allocation will be sufficient so that he can make up the amount which was deducted from the 390,000 tons.

Mr. SMATHERS. Using our experience in the past, we think we can safely say that there will be a deficit in some quotas. The President has the authority to take that deficit and give it to whatever country he wishes to give it to.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield to the Senator from Arkansas.

Mr. FULBRIGHT. What the Senator has said about Mexico reinforces the suggestion I made that the bill should have been referred to the Foreign Relations Committee for consultation and revision, because the Senator has said that this sugar bill is to be used to pressure Mexico to conform to our policies in regard to other Latin American countries. Is that not what the Senator said?

Mr. SMATHERS. The Senate passed a bill and the House passed a bill. What

we are doing is the best we can do, in the light of our own judgment.

Insofar as it affects our foreign policy, the Senator is correct.

Mr. FULBRIGHT. The Senator has said that some conferees thought that in view of the fact that Mexico had not agreed with our policy in Cuba, and I assume the Dominican Republic, they did not think they should give Mexico a sugar quota. It strikes me that that is an irrelevant consideration if this is a sugar bill, an economic bill. If it is a political bill to use sugar to pressure other countries to conform to our policies, it should go to the Foreign Relations Committee and we should have a look at what these policies are.

Mr. SMATHERS. I do not totally disagree with what the Senator has said. I have previously so expressed myself. It is a question of whether one group of Senators looks at this matter or another group does. Insofar as it pertains to foreign policy, perhaps it would be better if it went to the Foreign Relations Committee.

The distinguished chairman of the Foreign Relations Committee is a member of the Finance Committee, as are about seven members of the Foreign Relations Committee. Those two committees have joint membership to a greater extent than any other committee in the United States Senate. So the Senator might say that the Finance Committee is not totally lacking in knowledge of what goes on in the Foreign Relations Committee.

Mr. FULBRIGHT. I do not think it is proper to use the sugar bill to try to pursue an irrelevant aim. The Senator from Illinois made this same argument with respect to the aid bill. He offered an amendment to the aid bill. It had a laudable purpose, but it was not pertinent to that bill.

I do not like to see us use the sugar bill to do what we want certain countries to do in the political field. I think in many cases those countries are right, and we should listen to them. We ought to try to persuade them rather than force them to do what we want them to do.

Is the Bahamas quota included in the British West Indies quota?

Mr. SMATHERS. No.

Mr. FULBRIGHT. I do not see it here.

Mr. SMATHERS. The Bahamas will not get a quota until 1968, until they have demonstrated that they are a sugar-producing country and are able to fill their quota.

Mr. FULBRIGHT. It is a British possession. We have difficulty in foreign exchange. I thought one of the justifications for awarding sugar quotas was to reward those countries which gave us sugar in 1963 and 1964.

Mr. SMATHERS. As the Senator knows, he sometimes goes to conference and wants the House to agree to something in the foreign aid bill. Sometimes he comes back and he says he could not get the House to agree. We are in very much the same situation in which the distinguished chairman of the Foreign Relations Committee has found himself

on such occasions. We cannot get the House to accept everything we want. As a matter of fact, the Bahamas do not now produce sugar and do not have any allocation. Therefore, we are not going to give them one next year or the year after. We have to be satisfied that they have some kind of history of production before they are entitled to any quota.

Mr. FULBRIGHT. I am in sympathy with anyone who goes to conference with the House, but I assume the House conferees gave us some reason with respect to this 10,000 tons. I presume they had a reason. I have not the faintest idea what it is.

Mr. SMATHERS. One of the reasons why they wanted to do it—while I did not vote for it—was that the Bahamas were no longer technically a British possession. They are an independent country.

Mr. FULBRIGHT. They are in the sterling bloc.

Mr. SMATHERS. They are in the sterling bloc, but they are independent, as are Jamaica, Trinidad, and other areas in the Caribbean. They are 50 miles from the United States. They have 150 military installations on those islands, for which they charge us nothing. They have no income. They have no industry. We have recently passed a tariff bill which will curtail their income. They made a request that the least that could be done, if they cannot take care of their income through tourists, is to let them produce sugar. That was one of the reasons the Members of the House gave us.

Mr. FULBRIGHT. Since the Senator says they are friendly, I do not see why, in view of Mr. De Gaulle's difficult actions with regard to our gold and dollar balance, we should continue to give him money and a premium for sugar from Guadeloupe and Martinique.

It seems inexcusable. I am thoroughly in accord with what the majority leader said about Mexico, but here is the reverse case. Here is a country which does everything it can to thwart us directly, and makes no bones about it. Yet we have given that country a premium of \$3 million, approximately.

What about Venezuela?

Mr. SMATHERS. Let me reply first to the French question. The distinguished Senator from Illinois in committee made a very sound argument, which has been presented by the Senator from Arkansas. It used to be, speaking of the French West Indies, that there was a quota given to France itself. France itself did grow and send sugar to us.

Mr. FULBRIGHT. That was when the French were friendly.

Mr. SMATHERS. This was in 1964.

Mr. FULBRIGHT. That recently?

Mr. SMATHERS. Yes. So we took that away, and left in only the West Indies. The reason for some of this is that when there was a scarcity of sugar it was the areas south of us that supplied us sugar at the price we were paying, when they could have sold that sugar on the world market and made more money. The theory of the administra-

tion bill was to give the quota to those countries which had had a history of selling sugar to us when it was not to their advantage to do so.

Mr. FULBRIGHT. What I do not understand is that it is only stated in some instances. For example, in the case of Argentina it is given to them and then it is cut. It is only stated where it suits the purpose; that is, the House of Representatives, instead of what the House wanted to do. They are very tough people. I do not believe it is very justifiable.

Mr. SMATHERS. I wish the Senator had been in my place in the conference.

Mr. FULBRIGHT. No; I have had enough of that.

Mr. SMATHERS. I could have told him this. He has been to meetings with the House. He knows how the House conferees act. They are very jealous of their prerogatives. It is difficult to negotiate with them about many of these things.

No doubt it would have made more sense had we picked out one specific principle and struck with it all the way through. But we were unable to do that.

They agreed with respect to several countries, and then they said that they were not going to agree. Then, they would advance their reasons, some of which we agreed with and some we did not.

That is what conferences are for; to exhaust the differences of both Houses.

Mr. FULBRIGHT. Usually, even in foreign aid, they gave reasons for their past actions.

I think they attempt to make a case, even though I do not agree.

I do not want to delay the Senate. But there was the Venezuelan quota, and the Senate had to take it.

Mr. SMATHERS. We took the Venezuelan quota and again I think it is a good amendment.

The best customer we have in South America is Venezuela.

Mr. FULBRIGHT. And we are their best customer also.

Mr. SMATHERS. They buy from us \$600 million worth of goods and about \$100 million of that is agricultural products.

Mr. FULBRIGHT. And how much do we buy from them?

Mr. SMATHERS. A substantial amount—mostly in oil.

Mr. FULBRIGHT. Do they not have a favorable balance with us? In other words, do we not buy more from them than they from us; oil in particular?

Mr. SMATHERS. I suspect that is not true.

Mr. FULBRIGHT. Oh, yes.

Mr. SMATHERS. We buy offshore oil from them.

Mr. FULBRIGHT. It is not like Mexico. The Senator cannot make a case. I do not see that we have a favorable balance of trade with them. We have an unfavorable balance of trade, I believe, with Venezuela.

One last thing. The hearings which came out—which I had not seen, presented a picture that is erroneous and embarrassing to me, because I made a complaint the other day that I was not

given an opportunity to question certain of the representatives of foreign countries.

The way the hearings were prepared is unique because they are made to appear on the first day of the hearings, when I was in attendance and the hearings show who was present. Among them was me. Then there is inserted in the hearings the testimony that was handed in in written form. It was made to appear as if it were verbal testimony, and that I had an opportunity to question the witness.

I maintain that this is not the fact and it makes me appear as if I had misrepresented the case. I was there the first day. I came the second day just after the hearing was over.

But if the Senator would look at these hearings it would appear that a number of these representatives came before the committee. They were introduced and they said the usual thing.

On page 242 it is stated:

Our next witness is Mr. Charles Patrick Clark, who appears in behalf of the Venezuelan Sugar Distribution Association.

Mr. Clark read this statement and for all practical purposes it appears that he came there and delivered it. He did not at all. I was present that day. I think this is a peculiar way to prepare hearings.

Mr. SMATHERS. I agree with the able Senator from Arkansas, and I agree with what the Senator from Delaware [Mr. WILLIAMS] is going to say.

Both of them are members of the Committee on Finance. All we need to do is get the committee together and say that we do not like this sort of thing and that it should not happen.

The Senator will get one vote from the Senator from Florida on that. I know that what the Senator says is correct.

Mr. FULBRIGHT. I never heard of this before. On Friday, the 15th, which is the second day, when they might have appeared and did not, because I did not appear there until 10 o'clock and the hearing opened at 9 o'clock, it does not show that I was present.

If they are going to show them, why was it not done on the day when I was not there, instead of when I was there?

It is embarrassing to me because I did not question the witness. People will say, "Why did you not ask questions of the witnesses that were called before the committee?"

Mr. SMATHERS. I do not disagree with the Senator.

We never get into this bill until late in the session.

Mr. FULBRIGHT. That is customary.

Mr. SMATHERS. We resent it, but there is nothing that can be done about it.

Mr. FULBRIGHT. We can turn it down. We do not have to pass it at all.

Mr. SMATHERS. Those who think we should turn it down will have that privilege in a moment.

What happened on that occasion was in order to shorten the hearings? The presiding officer suggested to those people who were going to testify that they submit their statements and they would

be incorporated in the record in full. That is the way they appeared.

Mr. FULBRIGHT. It should have been put in the appendix.

Mr. SMATHERS. I believe the committee may very well want to discuss this practice.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. FULBRIGHT. Will there be a yea-and-nay vote? If so, I wish to announce that I oppose this. Will there be a yea-and-nay vote?

Mr. SMATHERS. I had not intended to ask for a year-and-nay vote?

Mr. DOUGLAS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

The PRESIDING OFFICER. We have not finished counting the seconds.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. SMATHERS. I would be happy to yield.

Mr. WILLIAMS of Delaware. I wish to make a statement with respect to which the Senator from Florida has already expressed his agreement in answer to the question raised by the Senator from Arkansas as to why all this fancy language was put in the hearings to make it appear that the lobbyists appeared in person.

I understand the reason was that the lobbyists were all collecting fat fees from \$40,000 to \$50,000 to appear before the committee. They developed the slick trick of closing the hearing and filing statements.

Then, they wake up to the fact, "How can we tell our people that we pleaded so hard to the Finance Committee. We will not be able to send our bill in and get our money."

Somebody somewhere developed the brilliant idea to have the hearings show that they were being properly introduced and congratulated, which enabled them to collect fat fees they were collecting from these people for doing nothing but sleeping that morning.

Mr. SMATHERS. I do not want to become involved in an argument as to that.

Mr. WILLIAMS of Delaware. I am glad that the Senator from Florida agreed to that in advance.

Mr. SMATHERS. I did agree. I would say that if possible we ought to look at the lobbies who represent other organizations. We ought to look into the lobby of the American Banking Association, of the American Bar Association, of the American Medical Association, of the American Rice Institute, of the American Chicken Institute, or whatever the organization is called. Perhaps we ought to do something about all of them.

However, we should not decide to pass or not pass a bill with respect to a country depending on whether or not it hires a lobbyist.

Mr. WILLIAMS of Delaware. That is what we were trying to do, but they all

disappeared. We could not find them. They never showed up.

Mr. DIRKSEN. I remember very well the morning to which the distinguished Senator from Arkansas alludes. He was in the committee room, and I showed up at about the same time. I said, "Where is the hearing?"

The hearing had been called off. It was agreed that these statements should go into the record. That is not an uncommon practice in any committee. That happens all the time, largely because the time is so short and witnesses are so many, and if witnesses come with 30 or 40 minutes, or an hour's statement, the committee will never get to the end of the furrow, and we shall never get a bill. Therefore, since the witnesses were not there, the Senator and I fell to talking about pleasanter things, like Federal judges and that sort of thing.

Mr. FULBRIGHT. I do not believe the Senator understands. I believe he is talking about Friday, October 15.

Mr. DIRKSEN. Yes.

Mr. FULBRIGHT. The meeting was adjourned before I got there.

Mr. DIRKSEN. I got there a little later.

Mr. FULBRIGHT. They did not insert the statements in the record on that day. They inserted them as if they had been presented on the previous day. That makes it appear that I had an opportunity to inquire into these activities. That is the major difference. They do not appear as insertions, in other words.

Mr. DIRKSEN. The reason I alluded to it is that we know the difficulty of getting sugar legislation at the end of a session. On one occasion, a few years ago, the House sent us a bill. We made the mistake of first adopting the adjournment resolution. The House adjourned, and we were stuck with a bill. The reason I alluded to what my friend the Senator from Arkansas said is that I do not want to see any kind of disparagement cast on that very distinguished and genteel clerk of the committee, Mrs. Springer. She does the best she can under really difficult circumstances. If it is agreed in one way or another that witnesses will submit their statements, that is done. That has happened countless times.

Mr. FULBRIGHT. I have never seen statements of witnesses appear in the record as though the witnesses had appeared in person. We accept statements in all committees, including the Committee on Foreign Relations, but they appear as statements, not as oral testimony. Certainly that is not the practice in the Committee on Foreign Relations.

Mr. DIRKSEN. I wish to commend the conferees, and for a reason. It is not possible to seat three persons around a table and get them to agree on sugar quotas.

The Senator was wondering about the British West Indies. I am inclined to agree with him. The Senator spoke about British Honduras, and perhaps we have no obligation. To a degree, I can

agree with them—likewise with respect to the French West Indies.

On the other hand, I put up a little protest about Haiti. It was said, "Oh, they have a lifetime dictator."

I said, "So what? It is the peasants in Haiti who will starve if they do not have sugar out of which to eke a little exchange in a country where the annual per capita income is only \$100. If you want to convert a country to communism, that is the way to do it."

I thought we could have done a little better by the Dominican Republic. Our former Ambassador to Mexico, who was also our Ambassador to the Dominican Republic, said, "You had better raise your quota, or you will have a Castro country on your hands."

It is not possible to get people wholly to agree on how to cut up a 10-million-ton sugar bowl. Under the circumstances, knowing the difficulties at the other end of the Capitol, I believe the conferees are to be commended.

Now I shall make a suggestion to the distinguished Senator from Arkansas. I am inclined to agree with him that we should start a sugar bill. Suppose we add the processing tax and then initiate a sugar bill in the Senator's committee; and the processing tax can be added at the other end of the avenue. Then we shall not be in the clutches of time or of hardheaded House Members, who have sat there resolutely and said, "This is it, or nothing."

The Senate had three excellent conferees around the table, two representing cane, so to speak, and one who knows the beet sugar industry inside and out the distinguished senior Senator from Utah [Mr. BENNETT].

Three better Senators could not have been picked out of the whole Senate than the Senator from Florida [Mr. SMATHERS], the Senator from Utah [Mr. BENNETT], and the Senator from Louisiana [Mr. LONG]. If they could not do it, no Member of the Senate could. So I commend the Senator from Florida.

Mr. SMATHERS. I thank the distinguished minority leader and I totally agree with him.

I stated to the Senate during the debate that the refiners were more ably represented in the House than in the Senate and this demonstrated it. Without the refiners cooperation there could be no sugar bill. Without extending foreign quotas through 1971 there could be no refiners cooperation. Under the circumstances, the Senate conferees were compelled to yield on this difference. However, I hasten to point out that if it developed that foreign quotas in the future fail to reflect our best national interest, the President can terminate any of them. If he does not, then Congress can act to change any foreign quota it sees fit.

I move that the conference report be agreed to.

Mr. CURTIS. Mr. President, I support the sugar bill, not because I favor all of its provisions. The situation is such with the domestic industry that we must have a sugar bill and it must be completed in this session of the Congress. There are such large inventories of sugar

that unless we increase the marketing quotas, our sugarbeet farmers will face further acreage cuts.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a portion of the hearings showing my interrogation of representatives of the Department of Agriculture when the sugar bill was before the Committee on Finance.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Let us see. I think—yes, Senator CURTIS.

Senator CURTIS. I will try to be very brief, Mr. Chairman.

I want to say for the record that I think we must have a Sugar Act, so far as the domestic end of it is concerned, and it should be one for a reasonable period of years.

What is the price of the sugar obtained domestically?

Mr. SCHNITTKER. About 6 or 7 cents per pound.

Senator CURTIS. That is a fair price to the consumers, is it not—considering our wage scale and the standard of living and the cost of everything else?

Mr. SCHNITTKER. This is a raw sugar price which I quoted.

Senator CURTIS. Yes. But I mean what it ultimately ends up across the counter, it is a fair price, is it not?

Mr. SCHNITTKER. About 11.6 cents per pound is the retail price of refined sugar in the United States.

Senator CURTIS. Well, compared to other prices it has had less inflation than most any other article that the Americans buy; is that not right?

Mr. SCHNITTKER. This has been very stable over the years.

Senator CURTIS. In other words, there is no segment of our society that has any just complaint that it is being overcharged for domestic sugar; is that right?

Mr. SCHNITTKER. I have not heard any particular complaints about the price of sugar.

Senator CURTIS. No. As a matter of fact, it is one of the lowest prices of anything that people can buy, compared to past years. Is that right?

Mr. SCHNITTKER. Well, compared with a number of years ago, before the Second World War, yes.

Senator CURTIS. The world price is kind of an elusive term, is it not?

Mr. SCHNITTKER. Excuse me?

Senator CURTIS. When they talk about the world price, that is rather an illusive term. There is not too much sugar ever moves in the world price, is there? Is not most of the sugar that is consumed involved one way or another in some regulated program of some country?

Mr. SCHNITTKER. That is correct. Nonetheless, in certain markets, New York, London, there are organized sugar markets which quote a world price.

Senator CURTIS. They quote a world price. But the volume of sugar consumed by the world, other than the Communist world, only a small portion of it—

Mr. SCHNITTKER. Only about 10 percent of the world production will move through those markets.

Senator CURTIS. Based upon the bill you recommend, percentagewise, what portion will the domestic producers have?

Mr. SCHNITTKER. The domestic producers, not including the offshore areas?

Senator CURTIS. State it both ways, please.

Mr. SCHNITTKER. About 65 percent including the offshore areas, and about 40 percent including just the mainland areas.

Senator CURTIS. The 40-percent mainland areas—has it ever been higher than that?

Mr. SCHNITTKER. It has not.

Senator CURTIS. What about the increased consumption due to the growth factor?

Mr. SCHNITTKER. The domestic areas would not share in the growth between total requirements of 9.7 and 10.4 million tons. But above 10.4, and below 9.7, the domestic areas will share in the increase or the decrease according to a factor of 65 percent.

Senator CURTIS. Sixty-five percent?

Mr. SCHNITTKER. To the domestic producers.

Senator CURTIS. That is offshore included.

Mr. SCHNITTKER. Yes sir?

Senator CURTIS. That includes offshore?

Mr. SCHNITTKER. Just the mainland in this case.

Senator CURTIS. After we reach 10.4, the mainland will receive 65 percent of the growth factor?

Mr. SCHNITTKER. That is correct.

Senator CURTIS. When do you expect to reach 10.4?

Mr. SCHNITTKER. About 1971.

Senator CURTIS. How much will the growth factor be after that?

Mr. SCHNITTKER. About 100,000 tons per year, which would be about 1 percent.

Senator CURTIS. 100,000 tons per year. How many acres of beets is that?

Mr. SCHNITTKER. About 40,000 acres of beets.

Senator CURTIS. If it all went to beets?

Mr. SCHNITTKER. Yes.

Senator CURTIS. How many acres of cane does it take to make a hundred thousand tons?

Mr. SCHNITTKER. About the same in the U.S. mainland.

Senator CURTIS. Where were the six factories located, pursuant to the new area reserve in the 1962 act?

Mr. SCHNITTKER. One in New York, one in Texas, one in the Red River Valley—and I am not sure what State that is—North Dakota, I mentioned Maine, New York—

Senator CURTIS. One in Maine?

Mr. SCHNITTKER. One in Maine.

Mr. MURPHY. California, Arizona, North Dakota, Maine, New York, and Texas.

Senator CURTIS. Have Maine and New York been producing?

Mr. MURPHY. No, sir. New York will start this year, and Maine will be ready next year.

Senator CURTIS. Now, if the bill is enacted, as you recommend, and after this period of leveling out of inventory is over what beet-growers will have to take an acreage cut?

Mr. SCHNITTKER. I believe all the beet-growers in the country would be liable to an acreage cut in the event that yields per acre and consumption combine to require an acreage cut.

Senator CURTIS. The—

Mr. SCHNITTKER. Including the new areas.

Senator CURTIS. In other words, the growth factor is not enough to prevent an acreage cut?

Mr. SCHNITTKER. No. I am saying that in the event yields were to go up very rapidly, it is at least possible that the growth factor would not be enough to prevent an acreage cut.

Senator CURTIS. Then you have not provided enough growth factor to take care of the technological advances that might occur in increased production.

Mr. SCHNITTKER. I would not say that. I only mention the possibility that this may be the case.

Senator CURTIS. Now, what you propose that we buy from foreign countries, percentagewise, how much of that will come from the Western Hemisphere? A percent of the total foreign purchase.

Mr. SCHNITTKER. About three-quarters, not counting the 1 million tons from the Philippines.

Senator CURTIS. Would come from the Western Hemisphere?

Mr. SCHNITTKER. Yes.

Senator CURTIS. The table on page 40 of the committee print looks like the administration recommended purchase of 1,720,555—I assume that is tons—from the Western Hemisphere, from countries outside, 2,260,000. Are those figures correct?

Mr. SCHNITTKER. The ratio is more like three-fourths than two-thirds.

Senator CURTIS. Three-fourths. It looks like to me that you are going to purchase more outside the Western Hemisphere.

Mr. SCHNITTKER. The 1,720,000 tons is from the Western Hemisphere, 2,260,000 is total—with the difference of about 540,000 tons coming from outside the Western Hemisphere.

Senator CURTIS. Since we have had a Sugar Act, and excluding emergency situations, when did we start buying outside the Western Hemisphere?

Mr. SCHNITTKER. In any quantity, only in 1961 or 1962. Except for the Philippines, of course.

Senator CURTIS. We did buy prior to the act of 1962?

Mr. SCHNITTKER. I believe it is correct that we had small quantities from Formosa and possibly some other.

Senator CURTIS. Small quantities. We are buying about 500,000 tons now—you are recommending.

Mr. SCHNITTKER. We would recommend about 500,000 tons.

Senator CURTIS. And that has all come about since we went on the global quota.

Mr. SCHNITTKER. And particularly since the departure of Cuba from the U.S. sugar market.

Senator CURTIS. Now, when Cuba comes back into the world of free nations, who is going to get that?

Mr. SCHNITTKER. Well, under the administration bill, when Cuba is back among the free nations, she could have 57 percent of the authorization for foreign countries, apart, I believe, from the amount authorized for the Philippines. And this would, of course—

Senator CURTIS. But it will not reduce the domestic.

Mr. SCHNITTKER. It would not, under the act, reduce the domestic. It would fall upon the other suppliers who now get part of the basic Cuban quota, according to their basic quota under the proposed act.

Senator CURTIS. It looks like we are making a permanent guarantee, or launching our program to become permanent, of 500,000 tons outside the Western Hemisphere, and not too long ago it was negligible.

Mr. SCHNITTKER. That is correct.

Senator CURTIS. Yet you state in your statement:

"In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of this extension."

Now, what acreage cutbacks do you anticipate, say, in the last 4 or 5 years of this extension?

Mr. SCHNITTKER. I am going to ask Mr. Murphy if he can respond to that, sir.

Mr. MURPHY. Yes, Senator. In 1960 I believe there was 900-and-some-odd thousand acres of sugarbeets growing. And in 1964 there was 1,450,000 acres.

There are restrictions in effect this year. The level of those restrictions is 1,375,000 acres. There has been a hearing held with respect to the recommendations of growers for next year's crop, and they have recommended a further small reduction for 1966. Beyond that, it is going to depend a great deal on the weather and the yields. Nobody can really say which way it will go.

Senator CURTIS. It is figured so close that there may be cuts throughout the life of this extension?

Mr. MURPHY. There may be a cut in 1966. I would suspect that that would be the last cut.

Senator CURTIS. Now—

Mr. MURPHY. That is from the much higher level that had been achieved by 1964.

Senator CURTIS. How about this going outside the Western Hemisphere? Is that going to be cut?

Mr. MURPHY. It will not be cut. In other words, the domestic—

Senator CURTIS. The only way it will be cut is if Cuba comes back into the picture.

Mr. MURPHY. That is right. The domestic areas would get a big immediate increase in marketing allotments, and then for a period of years the foreign countries would get whatever market increases are available to bring about a reestablishment of the present balance between domestic and foreign sources.

Senator CURTIS. As I said earlier, we have to have a Sugar Act, and we have to have it this year, and it should be for a reasonable period of years so the domestic producers, both cane and beet, can rely upon it, and we can have order in the industry.

But I must say that I disagreed with the global quota. I think the results were bad. I think that it caused frantic buying all over the world, and a great many producers outside the Western Hemisphere now have gotten what was predicted would happen—a permanent place in our sugar market at a time that we are still beset with a multitude of agricultural problems. Is that right?

Mr. SCHNITTKER. Well, we are certainly beset with many agricultural problems. But at the same time U.S. producers would have the biggest share of the U.S. sugar market that they ever had, even though the beet acreage would be somewhat smaller.

Senator CURTIS. Well, of course, we are not talking about something that they should not have, are we?

Mr. SCHNITTKER. No, we are not. We are talking, I think, of a sugar supply situation where we produce enough in the right areas at home so that we can have a stable supply, and where we have a diversified and assured group of foreign suppliers.

Senator CURTIS. Do you anticipate that these new areas will be successful?

Mr. SCHNITTKER. I think we have every reason to believe that they have been picked carefully, and that they will be successful.

Senator CURTIS. Reliable companies are involved?

Mr. SCHNITTKER. Reliable companies, and a great deal of pilot study and research going into the character of the sugarbeets grown in the areas.

Senator CURTIS. But it is the policy of the Department of Agriculture to bring such expansion to a close.

Mr. SCHNITTKER. It is, and it is made necessary.

Senator CURTIS. Why?

Mr. SCHNITTKER. By virtue of the fact that it is simply inconsistent to cut back sugar growers in Nebraska and Colorado and North Dakota, at the same time we are authorizing new plants—

Senator CURTIS. I am not suggesting that. I am not suggesting you take away from one group of domestic people and give it to another one. Not in the least. My primary obligation is to the people in the sugar business now, that they not be destroyed, and not give it to somebody else.

But you have developed here the last 4 years, and you are recommending a program of going clear outside the Western Hemisphere for very substantial amounts of sugar, and taking a position, as announced in your paper here, opposed to any part of domestic agriculture sharing this.

Mr. SCHNITTKER. Well, I would argue that domestic agriculture has shared in this by

virtue of the expansion in sugar acreage in this country over the past few years when there were no restrictions. But we have struck a balance here between—

Senator CURTIS. Who decided that balance?

Mr. SCHNITTKER. The administration in recommending a bill has urged the Congress to consider enacting certain balances laid out in the bill.

Senator CURTIS. Well, has the Department of Agriculture, that is supposed to be representing the American farmers—do they fully agree with this, with this big purchase of sugar outside the Western Hemisphere?

Mr. SCHNITTKER. We are fully agreed with it, sir.

Senator CURTIS. And you are fully agreed with the statement that the long-term growers will be subjected to further cuts, and that new localities are out.

Mr. SCHNITTKER. I believe—

Senator CURTIS. That is what you said in here.

Mr. SCHNITTKER. There is the prospect that old areas may continue to be subject to acreage cuts, and we recommend that no new areas be brought in.

Senator CURTIS. Is there any dollar shortage among American farmers?

Mr. SCHNITTKER. Well, there is a dollar shortage among American farmers, as everywhere else. But they have a billion dollars more net income this year than last year, and \$2 billion more than 5 years ago. So the dollar shortage is improving.

Senator CURTIS. That is counting direct Government payments.

Mr. SCHNITTKER. Yes, sir.

Senator CURTIS. And it is a little less than it used to be in the marketplace; is that right?

Mr. SCHNITTKER. I think—

Senator CURTIS. In 1964, it was about three-quarters of a billion dollars less than the American farmers derived in the marketplace than, say, 4 years ago.

Mr. SCHNITTKER. The value of farm products marketed—I think that is correct.

Senator CURTIS. That is all, Mr. Chairman.

Mr. CURTIS. Mr. President, that part of the bill dealing with the foreign allocations for the purchase of sugar is most unsatisfactory. I do not approve at all of the type of lobbying that has taken place, nor do I approve of that part of the bill. I am supporting the bill because of the necessities of the domestic industry.

The reason why I supported a 5-year extension of the domestic part of our sugar program and only a 2-year extension of the foreign part of our sugar bill was so that we could soon hold hearings and take another look at the foreign part. It was my hope that at that time we could further increase the domestic allocations so that new areas could raise sugarbeets; so that present sugarbeet growers could increase their acreages instead of having their acreages cut; and so that more new sugarbeet factories could be built.

Mr. DOUGLAS. Mr. President, I have no fault to find with the conferees on the part of the Senate. They were faced with a difficult situation, with very tough bargainers on the other side, and with the guillotine of time working against them constantly. So what I shall say is in no sense a criticism of them.

But I would not like to have the bill passed without a quorum of the Senate

present to consider the real weaknesses in the whole program. Granted that we have the present program or the lack of a program in dealing with sugar, it is inevitable that these weaknesses should develop. In spite of the fact that we tried to make a complete record in the early part of the week, the facts are not clearly known by all Members of the Senate, and certainly not by the country.

Basically what has happened has been that over the years—and this goes back to the beginning of the century—we have drawn into production in this country high cost and high priced cane and high cost and priced beet sugar, and have kept out low cost, low priced Caribbean sugar. This was done, first, by tariffs; then in the Jones-Costigan Act of 1935 it was done by quotas.

A solution was reached for a time that approximately half was produced in this country from cane and beet sugar, and half imported. But the practice was followed of paying for imported sugar the same price as the high priced, high cost domestic sugar, thereby giving big bonuses to the sugar producers in the Caribbean, notably in Cuba. We went into that matter once, and it looked as though we were paying to Cuban sugar producers something like \$30 or \$40 a ton more than they could realize in the open world market. It is true that from three-eighths to about two-fifths of the sugar in Cuba at that time was produced by American companies, but the remainder was not produced by American companies, and we therefore paid to Cuba a big bonus. Castro was therefore wrong when he charged that we had exploited Cuba from the standpoint of sugar. We were not exploiting Cuba; we were giving Cuba a big bonus over the world price that she could obtain elsewhere.

Then Castro declared his hostility to the United States, and we distributed the Cuban bonus partly to domestic producers, partly to foreign producers inside the Western Hemisphere, and partly to those outside the Western Hemisphere; and it has been a rich plum to the foreign producers. The present facts with respect to the prices of sugar, which I have sought to place in the *RECORD* from time to time, clearly indicate this. Let me repeat them.

The price of raw sugar in New York is 6.85 cents a pound. The price of raw sugar in the Caribbean is 2.1 cents a pound. To deliver that sugar to New York will require shipping and insurance costs of about half a cent a pound, and a tariff cost of five-eighths of a cent a pound.

This would make a total transportation and tariff cost of approximately 1.1 cents a pound, Caribbean sugar can be delivered in New York for 3.2 cents a pound, or perhaps for 3.25 cents a pound.

Therefore, a bonus of 3.6 cents a pound is paid on that sugar. That amounts to \$72 a ton.

On the basis of an import of approximately 2¼ million tons of sugar, based on the world price, we are paying a bonus of approximately \$170 million a year to producers of sugar outside this country.

Even if we reject 2.1 cents a pound as being unduly low, and take, as I have suggested, a 15-year moving average world price of sugar of 4.2 cents, that, with the transportation and tariff costs of 1.1 cents would give us a price in New York on Caribbean sugar of 5.3 cents, or approximately 1.5 cents a pound less than the domestic price which is being paid or \$30 a ton.

On the basis of 2¼ million tons, this would amount to \$67.5 million. That is the enormous bonus to rich foreigners inherent in the bill. It gives rise to bad economic effects and bad political effects.

On the economic side, it is resulting in a gouging of the American consumer. It is the poor people of the country who largely use sugar in their coffee, in their tea, in their cheap candies, and in the cakes and cookies which they eat.

This is a tax on low-income Americans for the benefit of well-to-do foreigners. It is indeed a tax primarily for the benefit of wealthy foreigners. It is a share-the-wealth program in reverse—from the poor here to the well-to-do there.

It is this practice which the American Congress year after year cemented and to which it has given its approval. I believe that the system is wrong and that ultimately we shall have to revise it.

Great Britain has got itself into much the same mess, and I think it will have to make a change.

The world has plunged itself into this extraordinary series of mistakes on sugar. The American Congress seems doomed to perpetuate this practice.

I had hoped that we could deal with the domestic situation this year, which is probably impossible to change politically at the moment, and that we could therefore pass the quotas for the domestic production, including, of course, Hawaii, Puerto Rico, and the Philippines, and the distribution between cane and beet, but that we could leave the foreign allocation to the future.

That was voted down in the Finance Committee. Then, our effort to have a 2-year instead of a full 5-year extension for foreign distribution was given up by our conferees, in the face of opposition, I am certain. We are saddled with a 5-year program, and the payment of many millions of dollars a year in bonuses to the foreign producers.

I notice that what I am saying is rapidly depopulating the Senate, and I have no complaint about that except that I believe Senators should take seriously to heart what we are involved in.

I hope that we can have an 11th hour and 59th minute repentance, which sometimes happens in life. I hope it may occur now, although it is improbable.

What are the bad effects of this? There are certainly bad economic effects, as I have indicated. There are extremely bad political effects. These countries are naturally anxious to get in on the excess and highly subsidized payments. They want to get as large a quota as possible. They hire lobbyists, or people whom they believe to have influence.

It is financially worth while to these countries to get as big a quota as possible. Therefore, their influence reaches into the deliberations of Congress and

into the fixing of quotas. The results are not good for the reputation of Congress or for the level of congressional decision.

There is also the very interesting point that, if the quota of any country is cut, or if it does not get the quota to which it thinks it is entitled, that country immediately threatens the United States and declares that it is a reason for bad international relations. This is true even though many of us have pointed out time and again that they have no inherent right to such quotas.

I noticed, I believe it was yesterday, that the Colombian Parliament issued a very bitter statement against us because its quota had been reduced by the Senate from the House figure.

We are going to have more of this in the days to come. Each country will question the quota that it has received and will treat its maximum as a right and not as a gratuity.

We were able a few years back in the Finance Committee to get the State Department to promise that it would notify the various countries that these quotas were not rights, but they were given at the will of Congress and could be discontinued at the will of Congress, and that countries should not regard them as being permanently their possession.

The representative of the State Department informed us that that warning has been automatically given, but it has had no effect. The countries treat these quotas as a right and criticize the United States if there is the slightest reduction from the claims which they make. Instead of improving international relations, it worsens them. Whereas, if we were to buy the sugar on the open market, the purchases would be impersonal. The temptation to corruption would be reduced, and international friction would be much less.

While I speak about the international market, let me correct a statement made by my good friend the junior Senator from Louisiana [Mr. LONG]. In the debate earlier in the week, he implied that the international market really covered only about 10 percent of the world's production of sugar. That, in a sense, is true. However, included in the world's production of sugar was the production of beet sugar in the various countries which is highly protected by tariffs, and which does not enter into the international trade. Only some 17 million tons, of the total of the world's production does enter into the international trade. Six million tons are in the so-called free market. The remaining 11 million tons constitute a colonial empire relationship of sugar, notably France and Great Britain.

Approximately 40 percent of the world's production of sugar which is traded internationally is in the open market. I can say that there are strong elements inside the British Government and within the population of Great Britain which would like to be relieved of the high price of sugar which they are paying and would like to reestablish a wider world market, if they could get us to cooperate with them and increase the ton-

nage which would be open to the forces of supply and demand.

There is very little to be said for the highly subsidized international program from a political point of view, and the situation with respect to Castro makes the matter worse.

Castro is in power temporarily. We hope that he will be overthrown by domestic revolution, or the outraged public opinion of his country or of the world. However, what will happen if Castro is overthrown and if we have the democratic Cuba which we hope for?

Immediately the quotas of all these countries will be automatically reduced, so that they will lose financially if Castro is overthrown. Therefore, it is to their economic advantage to see that Castro is kept in power, and by continuing this quota system, Congress is really—although it does not intend to do so—making it possible for Castro to last longer.

So we might as well know what we are doing. I suppose Senators and the leadership of both parties are resolved to pass this measure. I do not think, however, that they should do so until the American public knows something of what is involved.

I wonder if it would not be better if we had a quorum call, so that a larger group of Senators could listen to the debate and become more fully aware of what the issues are. It would seem to me that this would be highly beneficial for a more accurate discussion of the matter, and would lead to much wiser conclusions.

So, Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois?

Mr. SYMINGTON. Mr. President, I object.

Mr. MANSFIELD. No, no, please do not do it. There is a reason, believe me.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. What is the parliamentary situation? Are further proceedings under the quorum call to be suspended, or did I hear an objection?

The PRESIDING OFFICER. They were suspended.

Mr. DOUGLAS. I thought I heard an objection.

The PRESIDING OFFICER. The Chair did not hear an objection.

Mr. DOUGLAS. How was it possible for the Chair not to hear the objection, and for me to hear the objection? I certainly heard the Senator from Missouri raise an objection to my request that

further proceedings under the quorum call be suspended.

The PRESIDING OFFICER. The Chair repeated the question twice. The second time he heard no objection whatsoever.

Mr. DOUGLAS. Could not his reply the first time count? Does a man have to swear twice? Is not the statement given once to be believed, from so honorable and strong-minded a gentleman as the Senator from Missouri?

The PRESIDING OFFICER. The Chair has ruled. The question is on agreeing to the conference report.

Mr. DOUGLAS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceed to call the roll.

Mr. FULBRIGHT. Mr. President, a point of order. Has there been any business since the last call of a quorum? Is a quorum call in order?

The PRESIDING OFFICER. The Senate is in the process of a quorum call.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the conference report. The yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 38, nays 11, as follows:

[No. 302 Leg.]

YEAS—38

Aiken	Holland	Murphy
Allott	Hruska	Randolph
Bennett	Inouye	Russell, S.C.
Bible	Jackson	Scott
Brewster	Jordan, N.C.	Smathers
Byrd, W. Va.	Kuchel	Smith
Cannon	Lausche	Stennis
Curtis	Long, La.	Thurmond
Dirksen	Mansfield	Tower
Dodd	McGee	Williams, N.J.
Fannin	Metcalf	Yarborough
Fong	Montoya	Young, N. Dak.
Hayden	Mundt	

NAYS—11

Bartlett	McIntyre	Proxmire
Cotton	McNamara	Williams, Del.
Douglas	Pell	Young, Ohio
Fulbright	Prouty	

NOT VOTING—51

Anderson	Harris	Morse
Bass	Hart	Morton
Bayh	Hartke	Moss
Boggs	Hickenlooper	Muskie
Burdick	Hill	Nelson
Byrd, Va.	Javits	Neuberger
Carlson	Jordan, Idaho	Pastore
Case	Kennedy, Mass.	Pearson
Church	Kennedy, N.Y.	Ribicoff
Clark	Long, Mo.	Robertson
Cooper	Magnuson	Russell, Ga.
Dominick	McCarthy	Saltonstall
Eastland	McClellan	Simpson
Ellender	McGovern	Sparkman
Ervin	Miller	Symington
Gore	Mondale	Talmadge
Gruening	Monroney	Tydings

The PRESIDING OFFICER. A quorum did not participate in the vote. The Chair directs the clerk to call the roll to ascertain the presence of a quorum.

The legislative clerk proceeded to call the roll.

The PRESIDING OFFICER (Mr. BYRD of West Virginia in the chair).

The Senate will come to order. Attachés who do not have business in the Chamber will please leave the Chamber. The Chair will ask the Sergeant at Arms to inquire of the attachés who are in the Chamber to ascertain if they have business here; and if they do not have business, the Sergeant at Arms is instructed to ask them to leave the Chamber.

The legislative clerk resumed and concluded the call of the roll.

The PRESIDING OFFICER. A quorum is not present. The clerk will call the names of absent Senators.

The Senate will be in order. Attachés will take seats or leave the Chamber. The clerk will not resume the call of the roll until attachés who are standing have taken seats or have left the Chamber.

The legislative clerk resumed and concluded the call of the roll, and the following Senators answered to their names:

[No. 303 Leg.]

Aiken	Inouye	Pell
Allott	Jackson	Prouty
Bartlett	Jordan, N.C.	Proxmire
Bennett	Jordan, Idaho	Randolph
Bible	Kuchel	Ribicoff
Brewster	Lausche	Russell, S.C.
Byrd, W. Va.	Long, La.	Scott
Cannon	Mansfield	Smathers
Cotton	McCarthy	Smith
Curtis	McGee	Stennis
Dirksen	McIntyre	Symington
Douglas	McNamara	Thurmond
Fannin	Metcalf	Tower
Fong	Mondale	Williams, N.J.
Fulbright	Montoya	Williams, Del.
Hayden	Morse	Yarborough
Holland	Mundt	Young, N. Dak.
Hruska	Murphy	Young, Ohio

The PRESIDING OFFICER. A quorum is present.

The question before the Senate is on agreeing to the conference report. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. SMATHERS. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Indiana [Mr. BAYH], the Senator from North Dakota [Mr. BURDICK], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Tennessee [Mr. GORE], the Senator from Oklahoma [Mr. HARRIS], the Senator from Michigan [Mr. HART], the Senator from Alabama [Mr. HILL], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Washington [Mr. MAGNUSON], the Senator from Arkansas [Mr. McCLELLAN], the Senator from Oklahoma [Mr. MONRONEY], the Senator from Oregon [Mrs. NEUBERGER], the Senator from Rhode Island [Mr. PASTORE], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Alaska [Mr. GRUENING], the Senator from Indiana [Mr. HARTKE], the Senator from New York [Mr. KENNEDY], the Senator from Minnesota [Mr. MCCARTHY], the Senator

from South Dakota [Mr. McGovern], the Senator from Utah [Mr. Moss], the Senator from Maine [Mr. Muskie], the Senator from Wisconsin [Mr. Nelson], the Senator from Virginia [Mr. Robertson], the Senator from Georgia [Mr. Russell], the Senator from Alabama [Mr. Sparkman], the Senator from Missouri [Mr. Symington], and the Senator from Georgia [Mr. Talmadge] are necessarily absent.

I further announce that, if present and voting, the Senator from Louisiana [Mr. Ellender], the Senator from Utah [Mr. Moss], the Senator from Virginia [Mr. Robertson], and the Senator from Maryland [Mr. Tydings] would each vote "yea."

On this vote, the Senator from Tennessee [Mr. Bass] is paired with the Senator from Rhode Island [Mr. Pastore]. If present and voting, the Senator from Tennessee would vote "yea" and the Senator from Rhode Island would vote "nay."

Mr. KUCHEL. I announce that the the Senator from Delaware [Mr. Boggs], the Senator from Colorado [Mr. Dominick], the Senator from Kentucky [Mr. Morton], the Senator from Kansas [Mr. Pearson] and the Senator from Wyoming [Mr. Simpson] are necessarily absent.

The Senator from Kansas [Mr. Carlson] and the Senator from Kentucky [Mr. Cooper] are absent on official business.

The Senator from Iowa [Mr. Miller] is absent by leave of the Senate.

Also, the Senator from New Jersey [Mr. Case], the Senator from Iowa [Mr. Hickenlooper], the Senator from New York [Mr. Javits], and the Senator from Massachusetts [Mr. Saltonstall] are necessarily absent.

If present and voting, the Senators from Kansas [Mr. Carlson and Mr. Pearson], the Senator from New York [Mr. Javits], the Senator from Kentucky [Mr. Morton], the Senator from Colorado [Mr. Dominick], and the Senator from Massachusetts [Mr. Saltonstall] would each vote "yea".

On this vote, the Senator from Iowa [Mr. Miller] is paired with the Senator from New Jersey [Mr. Case]. If present and voting, the Senator from Iowa would vote "yea" and the Senator from New Jersey would vote "nay".

On this vote, the Senator from Wyoming [Mr. Simpson] is paired with the Senator from Delaware [Mr. Boggs]. If present and voting, the Senator from Wyoming would vote "yea" and the Senator from Delaware would vote "nay".

The result was announced—yeas 41, nays 10, as follows:

[No. 304 Leg.]

YEAS—41

Aiken	Inouye	Murphy
Allott	Jackson	Randolph
Bennett	Jordan, N.C.	Ribicoff
Bible	Jordan, Idaho	Russell, S.C.
Brewster	Kuchel	Scott
Byrd, W. Va.	Lausche	Smathers
Cannon	Long, La.	Smith
Curtis	Mansfield	Stennis
Dirksen	McGee	Thurmond
Fannin	Metcalf	Tower
Fong	Mondale	Williams, N.J.
Hayden	Montoya	Yarborough
Holland	Morse	Young, N. Dak.
Hruska	Mundt	

NAYS—10

Bartlett	McNamara	Williams, Del.
Cotton	Pell	Young, Ohio
Douglas	Prouty	
McIntyre	Proxmire	

NOT VOTING—49

Anderson	Gore	Morton
Bass	Gruening	Moss
Bayh	Harris	Muskie
Boggs	Hart	Nelson
Burdick	Hartke	Neuberger
Byrd, Va.	Hickenlooper	Pastore
Carlson	Hill	Pearson
Case	Javits	Robertson
Church	Kennedy, Mass.	Russell, Ga.
Clark	Kennedy, N.Y.	Saltonstall
Cooper	Long, Mo.	Simpson
Dodd	Magnuson	Sparkman
Dominick	McCarthy	Symington
Eastland	McClellan	Talmadge
Ellender	McGovern	Tydings
Ervin	Miller	
Fulbright	Monroney	

So the conference report was agreed to.

Mr. SMATHERS. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. MCCARTHY. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MESSAGE FROM THE HOUSE

The message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had passed a joint resolution (H.J. Res. 788) establishing that the 2d regular session of the 89th Congress convene at noon on Monday, January 10, 1966, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the following concurrent resolutions, in which it requested the concurrence of the Senate:

H. Con. Res. 527. Concurrent resolution establishing that when the two House adjourn on Friday, October 22, 1965, they stand adjourned sine die; and

H. Con. Res. 528. Concurrent resolution providing for the authorization of the Speaker of the House of Representatives and President of the Senate to sign enrolled bills and joint resolutions.

TRANSACTION OF ADDITIONAL ROUTINE BUSINESS

By unanimous consent, the following additional routine business was transacted:

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Jones, one of his secretaries, and he announced that on today, October 22, 1965, the President had approved and signed the following acts:

S. 597. An act to amend the Public Health Service Act to provide for a program of grants to assist in meeting the need for adequate medical library services and facilities; and

S. 2084. An act to provide for scenic development and road beautification of the Federal-aid highway systems.

REPORT OF NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 309)

The ACTING PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Aeronautical and Space Sciences:

To the Congress of the United States:

This report to the Congress describes a 6-month period of impressive accomplishment by the National Aeronautics and Space Administration.

In a larger sense, however, this report describes America on the move.

The story of man's advancement through the ages is the story of man's victory over the forces of nature. The health and comfort he enjoys, the leisure he possesses, and the abundance of the food he eats are all the result of his unending determination to probe the secrets of the world around him.

In 1958, it was my privilege to introduce the legislation to create the National Aeronautics and Space Administration. I stated then: "I confidently believe that the developments of the space age will bring the beginning of the longest and greatest boom of abundance and prosperity in the history of man."

Time is bearing out that belief.

And so I take pleasure in submitting this report to Congress. It chronicles a great and exciting period of accomplishment and foreshadows an even greater one. In commending this record, I also commend the men principally responsible for making it possible. Dr. James Webb and Dr. Hugh Dryden have guided and directed our Nation's space program for nearly 5 years—and they have a grateful Nation in their debt.

LYNDON B. JOHNSON.

THE WHITE HOUSE, October 22, 1965.

REPORT OF HOUSING AND HOME FINANCE AGENCY—MESSAGE FROM THE PRESIDENT

The ACTING PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Banking and Currency:

To the Congress of the United States:

The Housing Act of 1954 directs that I transmit to Congress the annual report of the Housing and Home Finance Agency, covering activities for calendar year 1964.

This report confirms the wisdom of 15 Congresses and 5 administrations going back to 1934. The great Franklin D. Roosevelt first pleaded with the Congress to approve housing measures for the good of all Americans.

Consider what has been done for America by the U.S. Government's housing programs:

\$100 billion of FHA mortgage insurance loans has been written, covering more than 7 million homes and more than 1 million rental units.

naval vessels to friendly foreign countries, and for other purposes.

CONFERENCE REPORT (H. REPT. NO. 1208)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 7812) to authorize the loan of naval vessels to friendly foreign countries, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same.

L. MENDEL RIVERS,
PHILIP J. PHILBIN,
MELVIN PRICE,
O. C. FISHER,
WILLIAM H. BATES,
LESLIE C. ARENDS,

Managers on the Part of the House.

RICHARD B. RUSSELL,
HARRY F. BYRD,
JOHN STENNIS,
STUART SYMINGTON,
LEVERETT SALTONSTALL,
MARGARET CHASE SMITH,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 7812) to authorize the loan of naval vessels to friendly foreign countries, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

BACKGROUND

House action

On August 30, 1965, the House passed the following three ship loan bills:

H.R. 7811, which would authorize the loan or sale of ships to South American countries as follows: Argentina, three destroyers; Brazil, four destroyers; Chile, two destroyers; Peru, two destroyers; Venezuela, one submarine.

H.R. 7812, which would authorize the loan of ships to Italy and Spain as follows: Italy, two submarines; Spain, one helicopter carrier.

H.R. 7813, which would authorize the loan of ships to China, Turkey, and the Philippines as follows: China, one destroyer and two destroyer escorts; Turkey, two destroyers; the Philippines, one destroyer escort.

Senate action

The Senate passed only one bill, H.R. 7812. As amended, the Senate bill included all of the House version of H.R. 7812 and parts of H.R. 7811 and H.R. 7813 as follows:

Country	House bill	Senate bill
Argentina.....	3 destroyers.....	2 destroyers.
Brazil.....	4 destroyers.....	3 destroyers.
Chile.....	2 destroyers.....	Eliminated.
Peru.....	do.....	Do.
Venezuela.....	1 submarine.....	Do.
Italy.....	2 submarines.....	2 submarines.
Spain.....	1 helicopter carrier.....	1 helicopter carrier.
China.....	1 destroyer and 2 destroyer escorts.....	Eliminated.
Turkey.....	2 destroyers.....	2 destroyers.
Philippines.....	1 destroyer escort.....	1 destroyer escort.

In summary, then, the Senate action eliminated China, Chile, Peru and Venezuela and would permit one less ship each to Argentina and Brazil.

Conference action

Prior to the conference, it became evident that a full and free exchange of views be-

tween the Senate and House conferees was impossible in view of the parliamentary situation. Briefly stated, the Senate through its action in selecting only one of the three House bills for amendment and passage precluded the insertion by the conferees of any of the countries not included in the original version of H.R. 7812 as passed by the House. No meaningful discussion could be had, therefore, with respect to China, Chile, Peru or Venezuela, these countries having appeared in either H.R. 7811 or H.R. 7813.

Notwithstanding the inhibiting character of the parliamentary situation, the conferees agreed that they should meet and, regardless of the inadvertently created technical difficulty, discuss the total program of ship loans originally submitted by the executive branch.

The House conferees agreed that in view of the importance of the ship loan program, the Senate version of the bill should be accepted. The only alternative, in view of the imminence of the adjournment of Congress, would be no ship loan legislation at all. This was a wholly unacceptable eventuality.

The House recedes.

It was agreed in conference that the Senate conferees will give serious and sympathetic consideration to the ship loan program as passed by the House early in the next session of the Congress.

L. MENDEL RIVERS,
PHILIP J. PHILBIN,
MELVIN PRICE,
O. C. FISHER,
WILLIAM H. BATES,
LESLIE C. ARENDS,

Managers on the Part of the House.

Mr. FISHER. Mr. Speaker, pursuant to the order of yesterday, I call up the conference report on the bill (H.R. 7812) to authorize the loan of naval vessels to friendly foreign countries, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The clerk read the statement.

Mr. FISHER (interrupting the reading of the statement). Mr. Speaker, I ask unanimous consent that the further reading of the statement be dispensed with and it be printed at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PELLY. Mr. Speaker, will the gentleman yield?

Mr. FISHER. I yield to the gentleman.

Mr. PELLY. Mr. Speaker, I would like to inquire of the gentleman as to whether there is any provision for the loan of these destroyers to the South American country of Peru.

Mr. FISHER. There is nothing in the pending bill or in the conference report for Peru, I will say to the gentleman.

Mr. PELLY. Mr. Speaker, I would like to say I am advised the Peruvian Navy has chased our fishing vessels. I am very glad we are not turning any destroyers over to them so that they can use them to apprehend our vessels and take them into custody. I thank the gentleman for yielding.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. FISHER. I yield to the gentleman.

Mr. HALL. Mr. Speaker, I would like to make the same query for informational purposes about the submarine, I believe it was, that was in this bill, for Venezuela. Has that been removed?

Mr. FISHER. Mr. Speaker, I will advise the gentleman that there is nothing in the conference report regarding the loan of any vessels to Venezuela.

Mr. HALL. Mr. Speaker, I compliment the gentleman from Texas, the chairman of the subcommittee, because with what they have taken from the American investors in Venezuela in recent months I am sure they should not be in a position, for mutual protection or any other reason, of being given unusual ships of our Navy at this time. I thank the gentleman for yielding.

Mr. FISHER. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 309)

The SPEAKER laid before the House the following message from the President of the United States, which was read and, together with the accompanying papers, referred to the Committee on Science and Astronautics, and ordered to be printed with illustrations:

To the Congress of the United States:

This report to the Congress describes a 6-month period of impressive accomplishment by the National Aeronautics and Space Administration.

In a larger sense, however, this report describes America on the move.

The story of man's advancement through the ages is the story of man's victory over the forces of nature. The health and comfort he enjoys, the leisure he possesses, and the abundance of the food he eats are all the result of his unending determination to probe the secrets of the world around him.

In 1958, it was my privilege to introduce the legislation to create the National Aeronautics and Space Administration. I stated then:

I confidently believe that the developments of the space age will bring the beginning of the longest and greatest boom of abundance and prosperity in the history of man.

Time is bearing out that belief.

And so I take pleasure in submitting this report to Congress. It chronicles a great and exciting period of accomplishment and foreshadows an even greater one. In commending this record, I also commend the men principally responsible for making it possible. Dr. James Webb and Dr. Hugh Dryden have guided and directed our Nation's space program for nearly 5 years—and they have a grateful nation in their debt.

LYNDON B. JOHNSON.

THE WHITE HOUSE, October 22, 1965.

RECESS

The SPEAKER. The House will stand in recess subject to the call of the Chair.

According (at 8 o'clock and 12 minutes p.m.) the House stood in recess subject to the call of the Chair.

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 9 o'clock p.m.

AMENDING AND EXTENDING THE PROVISIONS OF THE SUGAR ACT OF 1948, AS AMENDED

Mr. COOLEY submitted the following conference report and statement on the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, which was ordered to be printed.

CONFERENCE REPORT (H. REPT. NO. 1209)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"That this Act may be cited as the 'Sugar Act Amendments of 1965'.

"Sec. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words 'month of December in' and substituting the words 'last three months of'; and (2) by striking out of the second sentence 'October 31' and substituting 'September 30'.

"Sec. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

"(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	3,025,000
Mainland cane sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	6,390,000

"(2)(A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

"(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

"(3) Subsection (c) is amended to read as follows:

"(c)(1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsection (a) and (b) of this section.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For the calendar year 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines, Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland and the Bahama Islands, among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere:

"Country	Per centum
Cuba	50.00
Mexico	7.73
Dominican Republic	7.56
Brazil	7.56
Peru	6.03
British West Indies	3.02
Ecuador	1.10
French West Indies	.95
Argentina	.93
Costa Rica	.89
Nicaragua	.89
Colombia	.80
Guatemala	.75
Panama	.56
El Salvador	.55
Haiti	.42
Venezuela	.38
British Honduras	.22
Bolivia	.09
Honduras	.09

"(B) For countries outside the Western Hemisphere:

"Country	Per centum
Australia	3.60
Republic of China	1.50
India	1.44
South Africa	1.06
Fiji	.79
Thailand	.33
Mauritius	.33
Malagasy Republic	.17
Swaziland	.13
Southern Rhodesia	.13

"(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of five thousand three hundred and fifty-one short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: *Provided*, That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled with sugar produced in such country."

"(4) Subsections (d), (e), and (f) are

hereby amended and subsection (g) is added to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

"(i) any quantity of quota withheld from Cuba at a determination up to and including the amount of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

"(ii) any quantity of quota withheld from Cuba at a determination in excess of the amount of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph (3)(A) of subsection (c) that are members of the Organization of American States on the basis of the percentages stated therein.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(3)(A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term "quota" as defined in this Act shall include a temporary quota established under this subsection.

"(2)(A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under paragraph (1) (B) of this subsection: *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of

such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country, other than the Bahama Islands, Bolivia, Honduras, and Ireland, for the year following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such event), of the likelihood of such failure was the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(6) If any foreign country fails to give assurance to the Secretary, on or before December 31, 1965, that such country will fill the quota as established for it under subsection (c) (3) and paragraph (1) of this subsection for years after 1965, the quota for such country for such years shall be reduced to the amount which the country gives assurance that it will fill for such years. The portion of the quota for such country for which such assurance is not given shall be withdrawn for such years and a quantity of sugar equal to such portion shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of applying paragraph (4) of this subsection, any reduction in the quota of a foreign country under this paragraph shall be disregarded.

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filed only with sugar produced from sugarbeets or sugarcane grown in such country."

"Sec. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"Sec. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c) (3) (A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries: *Provided*, That any deficit resulting from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: *And provided further*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under the foregoing provisions of this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c) (3) (B) or section 202(c) (4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal

to the remainder of the deficit to the countries listed in section 202(c) (3) (B) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined for any country listed in section 202(c) (3) (B), he shall allocate such unfilled amount to the countries so listed on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (B) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that the Republic of the Philippines will be unable to market its quota, he shall allocate an amount of sugar equal to the deficit to the countries listed in section 202(c) (3) on the basis of the quotas then in effect for such countries. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. In making allocations for foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d) (4) that such failure was due to crop disaster or other force majeure."

"Sec. 5. Section 205 of the Sugar Act of 1948, as amended, is amended, (1) by inserting after the third sentence thereof the following new sentence: "The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any non-affiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory

of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of any processor of sugarcane, other than a processor-refiner, may, in the discretion of the Secretary, be increased by an additional six thousand two hundred short tons of sugar, raw value: *Provided further*, That the total increases in marketing allotments made pursuant to this sentence to processors in the domestic beet sugar area shall be limited to twenty-five thousand short tons of sugar, raw value, for each calendar year and to processors in the mainland cane sugar area shall be limited to sixteen thousand short tons of sugar, raw value, for each calendar year, and (2) by adding at the end of subsection (a) the following sentence: 'If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount.'

"Sec. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"Sec. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with simi-

lar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act.'

"Sec. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorrations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, and Panama may be filled by direct-consumption sugar to the extent of five thousand three hundred and fifty-one short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama.'

"Sec. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words 'any sugar or liquid sugar' and inserting in lieu thereof the following: 'any sugar or liquid sugar in excess of one hundred pounds in any calendar year.'

"Sec. 9. (a) Section 212 of the Sugar Act of 1948, as amended, is amended by inserting before the period at the end thereof the following: ', or for the production (other than by distillation) of alcohol, including all polyhydric alcohols, but not including any such alcohol or resulting by-products for human food consumption'.

"(b) Section 6418(a) of the Internal Revenue Code of 1954 is amended—

"(1) by inserting 'or PRODUCTION' after 'DISTILLATION' in the heading of such section, and

"(2) by inserting after 'the distillation of alcohol,' in the text of such section the following: 'or for the production of alcohol (other than alcohol produced for human food consumption),'.

"(c) The heading of section 6511(e)(1) of the Internal Revenue Code of 1954 is amended by inserting 'or PRODUCTION' after 'DISTILLATION'.

"Sec. 10. Section 213 of the Sugar Act of 1948, as amended, is repealed.

"Sec. 11. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

"(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b) (1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In de-

termining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane.'

"(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows: 'In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar.'

"(3) Paragraph (5) of subsection (b) is amended by striking the words 'In determining farm proportionate shares' and inserting in lieu thereof the words 'Whether farm proportionate shares are or are not determined'.

"(4) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than sixteen thousand short tons of sugar, raw value, for each such crop, which shall be allocated to relieve hardship on the part of new producers in such manner as the Secretary may determine: *Provided*, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965 crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph.'

"Sec. 12. (1) Subsection (b) of section 402 of the Sugar Act of 1948, as amended, is amended by adding the following sentence thereto: 'The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program.'

"(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: 'During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reestablished in the same calendar year.'

"(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: 'Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act.'

"(4) Subsection (c) of section 408 of such Act is amended to read as follows:

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is

satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act.'

"(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out '1966' in each place it appears therein and inserting in lieu thereof '1971'.

"SEC. 13. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out '1967' in each place it appears therein and inserting in lieu thereof '1972'.

"SEC. 14. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966. The amendments made by section 9 of this Act shall become effective on the date of the enactment of this Act."

And the Senate agree to the same.

HAROLD D. COOLEY,
W. R. POAGE,
THOMAS G. ABERNETHY,
GRAHAM PURCELL,
JAMES H. MORRISON,
SPARK M. MATSUNAGA,
PAUL B. DAGUE,
PAGE BELCHER,
CHARLES M. TEAGUE,

Managers on the Part of the House.

HARRY FLOOD BYRD,
RUSSELL B. LONG,
GEORGE A. SMATHERS,
WALLACE F. BENNETT,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses to the amendment of the Senate to the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, submit the following statement in explanation of the effect of

the action agreed upon and recommended in the accompanying conference report.

The amendment of the Senate struck out all after the enacting clause of the House bill and substituted language which generally followed the structure of the House bill but was different in numerous substantial respects. The following summary indicates the major differences between the House version of the bill and the substitute to the Senate amendment agreed to by the conferees.

FOREIGN QUOTAS

The conference substitute makes no change in the quota provisions of the House bill with respect to domestic areas (including Puerto Rico and the Virgin Islands) and the Republic of the Philippines.

The House bill set the Cuban share of the foreign quota, other than that for the Philippines, at 44.25 percent. The Senate bill set the Cuban quota at 55.77 percent of the foreign share. The substitute agreed to by the conferees places the Cuban quota at 50 percent of the total foreign share, other than that allotted to the Philippines.

So long as Cuba is not in diplomatic relations with the United States, the entire Cuban quota is held in reserve and allocated to other foreign countries, other than the Republic of the Philippines, on a pro rata basis. The effect of the conference action with respect to the Cuban quota is that exactly 50 percent of each foreign quota listed in the following table will be statutory quota for the life of the act and the other 50 percent will be its allocation of the Cuban reserve. The latter is subject to reallocation to Cuba in the event that diplomatic relations with that country are resumed.

The following table shows, at the consumption level of 9.7 million tons the approximate tonnage of the quota allotted to each foreign country under the conference agreement with the exception of Cuba and the Philippines.

Basic quotas and participation in the Cuban reserve for foreign countries at sugar requirements level of 9,700,000 tons

[In short tons, raw value]

Countries	Conference agreement	House bill	Senate bill
A. For countries in the Western Hemisphere:			
Mexico.....	348,501	340,925	390,135
Dominican Republic.....	340,925	340,925	422,512
Peru.....	272,013	272,013	272,013
Brazil.....	340,925	340,925	272,013
British West Indies.....	136,000	150,397	122,017
Ecuador.....	49,770	50,267	49,770
Colombia.....	36,000	42,970	27,829
Costa Rica.....	40,000	42,159	34,786
Nicaragua.....	40,000	38,511	40,672
Guatemala.....	34,000	32,836	35,321
Venezuela.....	17,000	30,809	2,676
El Salvador.....	25,000	30,403	17,125
Haiti.....	18,731	28,782	18,731
Panama.....	25,134	25,134	14,449
Argentina.....	42,000	21,485	63,685
British Honduras.....	10,000	19,864	4,281
Bolivia.....	4,054	4,054	1,000
Honduras.....	4,054	4,054	1,000
French West Indies.....	42,970	42,970	42,970
Subtotal.....	1,827,077	1,859,483	1,832,985
B. For other countries:			
Australia.....	162,152	162,152	162,152
China, Republic of.....	67,431	67,293	67,431
India.....	64,861	64,861	64,861
South Africa.....	48,000	29,593	66,584
Fiji Islands.....	35,489	24,323	35,489
Thailand.....	15,000	19,864	-----
Mauritius.....	14,985	14,188	14,985
Swaziland.....	6,081	6,081	6,081
Southern Rhodesia.....	6,081	6,081	6,081
Malagasy Republic.....	7,492	6,081	7,492
Ireland.....	5,351	-----	2,141
Belgium.....	-----	-----	1,605
Turkey.....	-----	-----	1,605
Subtotal.....	432,923	400,517	436,507
Total.....	2,260,000	2,260,000	2,260,000

DURATION OF FOREIGN QUOTAS

The present act terminates December 31, 1966. Under the House bill the quotas for all foreign countries would be in effect through 1971. Under the Senate amendment, the quotas for foreign countries other than the Philippines would be in effect only for 1966 and 1967. The conference substitute follows the House bill in this respect. All quotas, both foreign and domestic, established by the bill will be in effect through the calendar year 1971.

COUNTRIES WHICH ARE NET IMPORTERS OF SUGAR

The House bill prohibits the establishment of a quota for a country for any year if, during the 24-month period ending June 30 preceding such year, it has been a net importer of sugar. The conference substitute continues this provision but exempts Ireland, Bolivia, Honduras, and the Bahamas from application of its provisions.

MAINTENANCE OF A RESERVE

Both the House bill and the Senate amendment encouraged foreign countries to maintain a reserve of not less than 15 percent of their quota. The House bill also contained a provision requiring countries with quotas of more than 200,000 tons to retain a reserve of up to 30 percent of their quota until July 1 of each year. The conference substitute has omitted this 30-percent provision of the House bill.

ADVANCE ASSURANCE BY FOREIGN COUNTRIES

The Senate amendment included a provision requiring each foreign country other than the Philippines to give assurance to the Secretary of Agriculture prior to December 31, 1965, that it would fill the quotas assigned to it for subsequent years. The quota of any country failing to give such assurance would be reduced proportionately. The House bill contained no such provision. The conferees agreed on this provision of the Senate amendment.

QUARTERLY LIMITATION OF IMPORTS

The conference substitute includes a provision of the Senate amendment authorizing the Secretary to limit the amount of sugar which may be imported during the first two quarters of any year. The House bill did not contain this provision.

ALLOCATION AND PRORATION OF DEFICITS

The provisions of the conference substitute to the Senate amendment relating to the proration and allocation of deficits follows in general the provisions of the House bill. The conferees have retained a provision of the present law requiring the Secretary of Agriculture to give special consideration to those countries purchasing U.S. agricultural commodities.

This provision appears in the conference substitute ahead of the provision, which was common to both bills, authorizing the President, in the national interest to disregard pro rata allocation of deficits and assign deficits to any country which has a quota in effect. Thus, it is clear, that the President's authority to make such special assignment of deficits is not restricted by the provisions relating to purchase of agricultural commodities.

It is the intention and the request of the committee of conference that the President should use this authority to assign about 3,000 tons of deficit to Bolivia, a sufficient amount of deficit to Venezuela to bring its quota up to 25,000 tons or an amount above that comparable to other countries in its vicinity, and to provide a substantial amount of additional quota to the Dominican Republic, in line with the discussion of the Dominican quota in the House report, if the political situation in that Republic warrants such action.

NEW SUGARCANE MILL

The House bill provided for a reserve of 25,000 tons for a new sugarcane processing facility after 1966 and after the consumption estimate had exceeded 10,400,000 tons. This provision is omitted in the conference substitute.

NATIONAL RESERVES

The House bill contained a provision establishing a national reserve of 25,000 tons of the beet quota and 25,000 tons of the mainland cane quota to be used by the Secretary to alleviate hardship and inequities. The Senate amendment retained the national reserve with respect to beets but did not include a national reserve with respect to cane.

The conference substitute has reinstated the House provision relating to a national reserve of the cane quota with amendments reducing the amount of the reserve to 16,000 tons and making certain other modifications in its provisions.

It is the intention of the Committee of Conference that the national reserve provided for cane should be used first for the purposes outlined in the House report on the bill (6,200 tons for a Louisiana processor and the acreage to produce 2,000 tons for a Louisiana producer) and that the balance of such reserve should be used to alleviate hardships and inequities in other areas. Conforming changes with respect to proportionate shares are also made in the conference substitute.

INDUSTRIAL ALCOHOL

The Senate amendment permits the use of sugar (without regard to quota restrictions) in the production of alcohol, except alcohol and resulting byproducts for human food consumption. The quota exemption under present law applies only to sugar used in the distillation of alcohol, not in the production of alcohol by methods other than distillation. The conference substitute includes this provision of the Senate amendment.

HAROLD D. COOLEY,
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Managers on the Part of the House.

Mr. COOLEY. Mr. Speaker, pursuant to the order of the House of yesterday, I call up the conference report on the bill, H.R. 11135, to amend and extend the provisions of the Sugar Act of 1948, as amended, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

The SPEAKER. The gentleman from North Carolina [Mr. COOLEY] is recognized for 1 hour.

Mr. COOLEY. Mr. Speaker, I shall be very brief.

First, I want to congratulate and commend the members of the Committee on Agriculture and particularly the House and Senate conferees. This is one bill that has been completely free from partisan politics as it should be and as it always has been up to now.

I want to assure the Members of the House that during the entire time that

I have served on the Committee on Agriculture under my predecessor chairman, this committee has followed exactly the same pattern that I have followed as chairman of this great committee.

Mr. Speaker, this bill is vital to the welfare and happiness of all of the people of America. It is presented here not only on behalf of the producers of sugarbeets and sugarcane and the refiners of sugar, but this is a consumer bill. For more than 25 years the sugar program operating under a country-by-country quota has operated so well, as I have said before, that the average housewife has not been aware of the fact that we have had such a program in existence.

Under the program we have always had a stable supply of sugar at reasonable prices both in time of war and in time of peace.

Of the 35 members of the Committee on Agriculture, only 3 or 4 members have sugar in their districts and in their States. But realizing and appreciating the importance of sugar to the American economy, we have worked diligently and faithfully long hours, weeks, and even months in drafting this bill.

Without a sugar program, the domestic producer could not survive. They would face bankruptcy because they cannot possibly compete with foreign producing areas, with low-cost production and low labor costs.

As I have said, we conducted conferences in January, February, and March while the domestic industry, working through its leaders—lobbyists, if you please—tried to compose their differences. When they first came to me, they were in disagreement. I suggested to them that they go downtown and compose their differences and reach agreement. After that they had long conferences. They then came back to me and said that they were in agreement. I said, "Go back down and talk to the State Department, the Bureau of the Budget, the Department of Agriculture, and other agencies of the executive branch and see if you can bring them around to your way of thinking."

That they did. So we had additional weeks and months of conferences.

Finally, after waiting all through the 88th Congress for recommendations and having received none, and having waited from January until about May of this year for recommendations from the executive branch and receiving none, we finally let it be known that we were going to write a sugar bill.

Then they came up in complete agreement. When the domestic industry spoke to our committee of 35 members, they were in complete agreement. They selected one spokesman, a very distinguished man from Colorado by the name of Mr. Frank A. Kemp, who spoke for the whole industry. Within 30 minutes he had presented the industry's case to us.

The administration took only about 30 minutes in presenting its recommendations. We had only about 20 minutes of questioning in the committee. We then disbanded. Then we started to con-

sider the foreign quotas. We had a fight over the proposed import duty, what they call a recapture fee. Finally that question was decided. Everybody in the administration and, so far as I know, everybody in the industry, and certainly the representatives of all foreign countries, abandoned the idea of an import fee.

Then the question arose as to how long the bill would extend. We proposed that it should continue for 5 years as it had been recommended to us by the domestic industry and by the administration. So after much consideration, the bill was adopted by a vote of 33 to 2 of the committee of 35 Members.

We brought the bill to the House under a closed rule, except that the rule provided that two amendments should be in order. Those amendments were offered and they were overwhelmingly defeated.

Then the House passed this bill by a margin of 99. We sent it on to the Senate.

The Senate considered all the provisions we had in our bill, and they struck out everything after the enacting clause and inserted their own bill.

After that bill passed the Senate, we agreed to a conference and we went to conference.

Now we bring back to the House the conference report, which I believe was unanimously approved by the conferees on the part of the Senate and the conferees on the part of the House, including Members of both parties.

I might pause to say that I am not quite certain about a unanimous vote by the conferees on the part of the Senate. I understand that perhaps one Member of the Senate conferees could not be located and did not sign the report.

I want to sum up by saying I believe this conference report is a complete vindication of the House Committee on Agriculture. It is a complete vindication of the House of Representatives. By all means it should be overwhelmingly adopted.

I say, not in defense of our committee but by way of explanation, it has become almost a tradition that the last bill of any session, just before adjournment, is the sugar bill. The House Committee on Agriculture is not responsible for that. We have acted faithfully and diligently. We have a bill here with which apparently everybody is pleased. Perhaps every petitioner was not given everything that he wanted. We had to compose differences and compromise our views, and in some instances we split the difference, but overall this bill is a well-rounded bill that will provide a sugar program based upon country-by-country quotas, which has always been successful.

Only when we had the global quota experience did we get into trouble. The prices then skyrocketed to 12 or 14 cents a pound. The global quota program, I thought, was ridiculous.

You and I know that we got into this trouble when Cuba was taken over by communism and Castro. Up to that time we had acquired about 3 million tons of our foreign sugar from the beautiful

island of Cuba, which tonight is a stronghold of communism. So we had to look out across the world to find other sources of supply, and we did. At the time we were assured that there was an abundance of sugar in the world. As the months passed it developed that there was a shortage of sugar, so the price of sugar went up and up and up. Everybody suffered. The housewives suffered.

If we pass this bill there will be a stability of prices and a stability of supply and we will be back to the old program which operated so well for so long.

I do not wish to continue this discussion. We will be prepared to answer any questions which may be propounded.

I ask that Members read and consider the statement, which is very brief, in support of the report we now bring to you.

I would like to further explain the intent of the conferees concerning the application of the provisions in this bill dealing with needed relief for small non-affiliated single sugarbeet processors. Identical provisions were included in both the House and the Senate bill.

It is the clear intent of the conferees that these provisions be implemented promptly. We certainly intend this bill to be used to afford the appropriate relief that was well documented during the hearings on this legislation. As we pointed out in the House report on this bill, it is situations such as those presented during the hearings that these provisions of the bill are designed to correct.

Mr. FINDLEY. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Illinois.

Mr. FINDLEY. I should like to clarify a few points in regard to the conference report.

Am I correct in the belief that this is a 5-year bill in respect to both domestic and foreign quotas?

Mr. COOLEY. Exactly.

Mr. FINDLEY. The probability, then, is that we will not take up the foreign quotas again unless we also at the same time take up the domestic quotas?

Mr. COOLEY. We probably will not take up either until 5 years have passed.

I will say this to the gentleman: This Congress cannot bind the next Congress. We can talk all we want about 5-year plans, but there is nothing the 89th Congress can do to obligate a Congress which will succeed this Congress.

Mr. FINDLEY. I have another question with respect to the Philippines. Are the Philippine sugar interests created in this conference report exactly the same as they were in the House version of the bill?

Mr. COOLEY. That is correct.

Mr. FINDLEY. There has been considerable controversy over the quotas assigned by the House to Argentina and Venezuela. Will the gentleman clarify what was done on those quotas and how the agreement was arrived at?

Mr. COOLEY. I will take them one at a time.

My recollection is that the House gave Argentina a quota of 21,000 tons, which was the very first quota Argentina had ever had. There was a lot of talk in the

newspapers about what we were talking away from Argentina.

We did not take anything away from Argentina. We gave them a quota for the first time. They had no quota whatever in the 1962 act.

Mr. FINDLEY. If the gentleman will permit me, I thought in 1962 by separate legislation a quota was given to Argentina.

Mr. COOLEY. No. They have no statutory quotas. That was in the honey bee bill.

Mr. FINDLEY. Was that not a statutory act?

Mr. COOLEY. No.

Mr. FINDLEY. It was not a piece of legislation at all?

Mr. COOLEY. Of course, it was legislation. But it was a bill authorizing the President to exercise his discretion. It went to the Senate and the Senate tied on this amendment which provided something for Argentina and something for the Dominican Republic but not by statutory quota.

Mr. FINDLEY. You are not suggesting this so-called action on the honey bee bill was any different in substance than any other conference, are you?

Mr. COOLEY. Yes. Of course. There were no conferences on the honey bee bill. I hope you understand that this bill, the sugar bill, can only originate in the House Committee on Agriculture. It cannot originate in the Senate as an original bill nor by an amendment to a honey bee bill. That came over because the Senators realized they had forced us under a blackjack, almost, to capitulate on 1.5 million tons or something like that of the Cuban quota.

Mr. FINDLEY. In any event, in 1962 Argentina did get a quota.

Mr. COOLEY. They did not get a quota. They got an allocation under the honey bee bill.

Mr. FINDLEY. They have a history of shipping sugar.

Mr. COOLEY. That is right.

Mr. FINDLEY. Under the sugar program.

Mr. TEAGUE of California. Mr. Speaker, will the gentleman yield to me?

Mr. COOLEY. I yield to the gentleman from California.

Mr. TEAGUE of California. Perhaps in answer to the gentleman from Illinois I can say that the House thought for good reasons they should allocate 21,000 tons to Argentina. The Senate allocated 63,000 tons. We split the difference, which is a good compromise, it seems to me, under all the circumstances, and we allocated 42,000 tons to Argentina.

Mr. FINDLEY. Mr. Speaker, will the gentleman yield further?

Mr. COOLEY. Yes, sir, I yield.

Mr. FINDLEY. As I understand it, as recently as 4 months ago the administration was recommending an import fee under the sugar program. Is there any import whatever in this conference report?

Mr. COOLEY. There is not any in this conference report, and if you had been listening to me when I was talking, you would know it.

Mr. FINDLEY. I was doing my best.

Mr. COOLEY. I told you the import fee is not in here.

Mr. FINDLEY. There is no import fee in the bill?

Mr. COOLEY. It was not recommended by the President or anybody else except the gentleman from Illinois.

Mr. FINDLEY. I heard it recommended by a good many other people.

Mr. COOLEY. But it is not in the bill.

Mr. FINDLEY. I appreciate the clarification.

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Speaker, it is regrettable that this session of Congress which has produced some excellent legislation should end with this dismal specimen.

This is a sad moment for American consumers and taxpayers. They are being saddled for 5 years with a program which is unnecessarily costly. In my view, the powerful vested interests of the sugar industry have clearly overwhelmed the broader public interest.

Mr. YATES. Mr. Speaker, will the gentleman yield for a question?

Mr. COOLEY. I yield to the gentleman.

Mr. YATES. This is a fine bill. Is there anything in the bill which would permit the President, if he found it to be in the national interest, to eliminate or vary any quotas?

Mr. COOLEY. It is very definitely in the bill. He can eliminate any quota when it is found to be in the national interest.

Mr. YATES. I thank the gentleman.

Mr. HANNA. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. HANNA. I should like to commend the gentleman and the conferees, for I see that Ireland now has 5,351 tons. That is certainly an improvement over the other situation.

Mr. DOLE. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Kansas.

Mr. DOLE. I understand the conferees did add to the section dealing with the assignment of sugar deficits, a provision with reference to giving special consideration to countries that purchase U.S. farm commodities. I would call the gentleman's attention to the fact that this amendment is similar to the one I offered in the House committee and which the distinguished gentlelady from Washington [Mrs. MAY] and I discussed in our views in the report on H.R. 11135. I understand that the amendment adopted by the conferees incorporates the language of present law in regard to deficit allocations. It will, I hope, be of considerable benefit.

Mr. COOLEY. It is now definitely in the bill as a part of the bill. I share the gentleman's views that we should trade with countries that trade with us.

Mr. DOLE. And a similar provision appears in the "little global quota" part of the bill?

Mr. COOLEY. That is correct.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Iowa.

Mr. GROSS. Can the gentleman tell us why there would be any quota to Venezuela which is continuing to expropriate American investments?

Mr. COOLEY. This was fully explored, and if they expropriate foreign property, it will then become the duty of the President completely to withdraw that quota.

He has the authority in this bill to do that. What the gentleman is talking about I think is some controversy which is now pending in the courts with which, frankly, I am not familiar. But the President has the power in this bill and the responsibility to withdraw the quota.

Mr. GROSS. Mr. Speaker, I had a telegram only a short time ago from an industrialist in this country who was complaining about the taking over of his property. For the life of me I cannot understand why we should give a sugar quota of any kind, even a single pound, to any country that expropriates the property of an American investor.

Mr. COOLEY. The author of that telegram was trying to try his lawsuit here in Congress. I want to conclude by telling my friend that if the implication of that telegram were true then the White House has the responsibility to withdraw that quota and has the authority under the act to do it. You will notice that when the bill came out of the House we gave them 30,000 tons. We have now reduced it to 17,000.

Mr. Speaker, I move the previous question on the conference report.

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. The question is on the conference report.

The question was taken; and the Speaker announced that the "ayes" appeared to have it.

Mr. DAVIS of Wisconsin. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 174, nays 88, not voting 170, as follows:

[Roll No. 383]

YEAS—174

Abernethy	Boland	Craley
Adams	Bolton	Curtin
Addabbo	Brooks	Daddario
Andrews,	Brown, Calif.	Dague
N. Dak.	Broyhill, Va.	Daniels
Arends	Burke	Davis, Ga.
Ashley	Burleson	Dawson
Ashmore	Burton, Utah	Delaney
Baldwin	Byrne, Pa.	Dent
Bandstra	Byrnes, Wis.	Dole
Barrett	Cabell	Donohue
Bates	Callan	Dow
Battin	Casey	Dowdy
Beckworth	Chamberlain	Downing
Belcher	Clark	Duncan, Oreg.
Bennett	Clawson, Del.	Edmondson
Betts	Colmer	Ellsworth
Boggs	Cooley	Everett

Fascell	Latta
Fisher	Lennon
Flood	McFall
Foley	McMillan
Ford, Gerald R.	McVicker
Fountain	Machen
Gathings	Mackay
Gettys	Madden
Gialmo	Mahon
Gilbert	Mailliard
Gilligan	Mathias
Gonzalez	Matsunaga
Grabowski	May
Gray	Meeds
Green, Pa.	Miller
Grelgg	Mills
Griffin	Mink
Hagan, Ga.	Moore
Hanley	Morgan
Hanna	Morris
Hansen, Idaho	Morrison
Hansen, Iowa	Moss
Harvey, Mich.	Murphy, Ill.
Hathaway	Murphy, N.Y.
Hicks	Murray
Holifield	Natcher
Holland	O'Brien
Ichord	O'Hara, Ill.
Jarman	Olsen, Mont.
Johnson, Calif.	O'Neill, Mass.
Johnson, Okla.	Passman
Jones, Mo.	Pelly
Karsten	Pepper
Kee	Perkins
Kelly	Philbin
King, Calif.	Pickle
King, Utah	Pirmie
Kirwan	Poff
Kornegay	Pool
Laird	Price
Langen	Randall

NAYS—88

Adair	Gross	Moorhead
Anderson, Ill.	Grover	Nedzi
Ashbrook	Gurney	O'Hara, Mich.
Bow	Haley	Patten
Brademas	Hall	Pike
Broyhill, N.C.	Halpern	Pucinski
Buchanan	Hamilton	Quillen
Clancy	Harsha	Race
Cleveland	Hechler	Reid, Ill.
Clevenger	Helstoski	Reid, N.Y.
Cohelan	Huot	Robison
Collier	Irwin	Rodino
Conable	Joelson	Roush
Corbett	Jonas	Rumsfeld
Cunningham	Karth	Ryan
Davis, Wis.	King, N.Y.	Satterfield
Dulski	Krebs	Scheuer
Duncan, Tenn.	Lipscomb	Schneebell
Dyal	Long, Md.	Secrest
Farbstein	Love	Skubitz
Farnsley	McClory	Todd
Findley	McCulloch	Udall
Ford,	McDowell	Van Deerlin
William D.	McEwen	Walker, Miss.
Fraser	McGrath	Walker, N. Mex.
Fulton, Pa.	Mackie	Watkins
Gallagher	Marsh	Weltner
Gibbons	Minish	Yates
Goodell	Minshall	Zablocki
Green, Oreg.	Moeller	

NOT VOTING—170

Abbott	Celler	Fino
Albert	Chelf	Flynt
Anderson,	Clausen,	Fogarty
Tenn.	Don H.	Frelinghuysen
Andrews,	Conte	Friedel
George W.	Conyers	Fulton, Tenn.
Andrews,	Corman	Fuqua
Glenn	Cramer	Garmatz
Annunzio	Culver	Griener
Aspinall	Curtis	Griffiths
Ayres	de la Garza	Gubser
Baring	Denton	Hagen, Calif.
Bell	Derwinski	Halleck
Berry	Devine	Hansen, Wash.
Bingham	Dickinson	Hardy
Blatnik	Diggs	Harris
Bolling	Dingell	Harvey, Ind.
Bonner	Dorn	Hawkins
Bray	Dwyer	Hays
Brock	Edwards, Ala.	Hébert
Broomfield	Edwards, Calif.	Henderson
Burton, Calif.	Edwards, La.	Herlong
Cahill	Erlenborn	Horton
Callaway	Evans, Colo.	Hosmer
Cameron	Evins, Tenn.	Howard
Carey	Fallon	Hull
Carter	Farnum	Hungate
Cederberg	Feighan	Hutchinson

Jacobs
Jennings
Johnson, Pa.
Jones, Ala.
Kastenmeier
Keith
Keogh
Kluczynski
Kunkel
Landrum
Leggett
Lindsay
Long, La.
McCarthy
McDade
Macdonald
MacGregor
Martin, Ala.
Martin, Mass.
Martin, Nebr.
Matthews
Michel
Mize
Monagan
Morse
Morton
Mosher
Multer
Nelsen
Nix
O'Konski

Olson, Minn.
O'Neal, Ga.
Ottinger
Patman
Poage
Powell
Purcell
Quie
Reifel
Reinecke
Resnick
Reuss
Rivers, S.C.
Rogers, Tex.
Roncalio
Rooney, Pa.
Rostenkowski
Roudebush
Roybal
St Germain
Saylor
Schisler
Schmidhauser
Schweiker
Scott
Shriver
Sikes
Sisk
Slack
Smith, N.Y.
Springer

Staggers
Stephens
Stratton
Sullivan
Sweeney
Talcott
Taylor
Tenzer
Thomas
Thompson, N.J.
Thompson, Tex.
Thomson, Wis.
Toll
Tuck
Tunney
Vanik
Vivian
Watson
Watts
Whalley
Whitener
Whitten
Widnall
Wilson, Bob
Wilson, Charles H.
Wright
Wyatt
Wydler

Mr. Tenzer for, with Mr. Martin of Alabama against.
Mr. Nix for, with Mr. Roudebush against.
Mr. Quie for, with Mr. Wylder against.
Mr. Shriver for, with Mr. Fino against.
Mr. Gubser for, with Mr. Widnall against.
Mr. Conte for, with Mr. Reifel against.
Mr. Frelinghuysen for, with Mr. Nelsen against.
Mr. Hosmer for, with Mr. Mosher against.
Mr. Martin of Nebraska for, with Mr. Michel against.
Mr. Reinecke for, with Mr. Curtis against.
Mr. Martin of Massachusetts for, with Mr. Dickinson against.
Mr. Bell for, with Mr. Berry against.
Mr. Carey for, with Mrs. Dwyer against.
Mr. Edwards of Louisiana for, with Mr. Farnum against.
Mr. Rooney of Pennsylvania for, with Mr. Jacobs against.
Mr. Staggers for, with Mr. Jones of Alabama against.

Until further notice:

Mr. de la Garza with Mr. Ayres.
Mr. Abbutt with Mr. Talcott.
Mr. Rivers of South Carolina with Mr. Watson.
Mr. Evins with Mr. Wyatt.
Mr. Hardy with Mr. Cederberg.
Mr. Harris with Mr. Callaway.
Mr. Aspinall with Mr. Smith of New York.
Mr. Rostenkowski with Mr. O'Konski.
Mr. Roncalio with Mr. Saylor.
Mr. Stratton with Mr. Martin of Alabama.
Mr. Charles H. Wilson with Mr. McDade.
Mr. Stephens with Mr. Keith.
Mr. Taylor with Mr. Johnson of Pennsylvania.
Mr. Tuck with Mr. Hutchinson.
Mr. Purcell with Mr. Edwards of Alabama.
Mr. Macdonald with Mr. Don H. Clausen.
Mr. Evans of Colorado with Mr. Brock.
Mr. Whitten with Mr. Thompson of Texas.
Mr. Thomas with Mr. Slack.
Mr. Scott with Mr. Sisk.
Mr. Wright with Mr. Olson of Minnesota.
Mr. Hagen of California with Mr. Grider.
Mr. Flynt with Mr. Bonner.
Mr. Blatnik with Mr. Baring.
Mr. Hull with Mr. Henderson.
Mr. Kluczynski with Mr. George W. Andrews.

Mr. BOW changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

(Mr. COOLEY asked and was given permission to revise and extend his remarks on the bill just passed.)

REPORT OF COMMITTEE TO INFORM PRESIDENT CONGRESS IS READY TO ADJOURN

Mr. BOGGS. Mr. Speaker, your committee appointed to join a committee of the Senate to inform the President that the Congress is ready to adjourn, and to ask him if he has any further communications to make to the Congress, has performed that duty. The President has directed us to say that he has no further communication to make to the Congress.

CORRECTION OF THE RECORD

Mr. HANSEN of Ohio. Mr. Speaker, I request unanimous consent to correct the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Idaho. There was no objection.

Mr. HANSEN of Idaho. Mr. Speaker, in my remarks of yesterday, October 21, appeared an error which I would like corrected. At the bottom of the third column, page 26822, immediately preceding question No. 23, the paragraph should read as follows:

In 1954 North Vietnam agreed to withdraw its forces to north of the 17th parallel, and not to interfere or intervene in the affairs of South Vietnam.

In other words, the words "Mr. Speaker" should be deleted.

SINE DIE ADJOURNMENT

Mr. BOGGS. Mr. Speaker, I offer a concurrent resolution (H. Con. Res. 527) and ask for its immediate consideration. The Clerk read as follows:

H. CON. RES. 527

Resolved by the House of Representatives (the Senate concurring), That the two Houses of Congress shall adjourn on Friday, October 22, 1965, and that when they adjourn on said day, they stand adjourned sine die.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

AUTHORITY TO SIGN ENROLLED BILLS AND JOINT RESOLUTIONS

Mr. BOGGS. Mr. Speaker, I offer a concurrent resolution (H. Con. Res. 528) and ask for its immediate consideration.

The Clerk read as follows:

H. CON. RES. 528

Resolved by the House of Representatives (the Senate concurring), That notwithstanding the sine die adjournment of the two Houses, the Speaker of the House of Representatives and the President of the Senate be, and they are hereby, authorized to sign enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

THE 2D SESSION, 89TH CONGRESS

Mr. BOGGS. Mr. Speaker, I offer a joint resolution (H.J. Res. 788) and ask for its immediate consideration.

The Clerk read as follows:

H.J. RES. 788

Joint resolution establishing that the second regular session of the Eighty-ninth Congress convene at noon on Monday, January 10, 1966

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the second regular session of the Eighty-ninth Congress shall begin at noon on Monday, January 10, 1966.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PRINTING OF REPORTS OF COMPTROLLER GENERAL

Mr. BOGGS. Mr. Speaker, I offer a resolution (H. Res. 624) and ask for its immediate consideration.

The Clerk read as follows:

H. RES. 624

Resolved, That, notwithstanding the sine die adjournment of the House, reports of the Comptroller General of the United States made to the Congress pursuant to the Government Corporation Control Act (31 U.S.C. 841 et seq.) shall be printed during such adjournment as House documents of the second session of the Eighty-ninth Congress.

The resolution was agreed to.

A motion to reconsider was laid on the table.

ADDITIONAL EMPLOYEES DEMOCRATIC STEERING COMMITTEE AND HOUSE REPUBLICAN CONFERENCE

Mr. BOGGS. Mr. Speaker, I offer a resolution (H. Res. 625) and ask for its immediate consideration.

H. RES. 625

Resolved, That, effective November 1, 1965, there shall be payable from the contingent fund of the House of Representatives, until otherwise provided by law, compensation at a basic rate not exceeding \$4,180 per annum to one additional employee of each of the following:

- (1) the House Democratic Steering Committee; and
- (2) the House Republican Conference.

Mr. ROONEY of New York. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from New York.

Mr. ROONEY of New York. Mr. Speaker, I should like to inquire of my distinguished friend, the gentleman from Iowa, [Mr. Gross], as to the situation next week in regard to fishing in the vicinity of Waterloo, Iowa.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. ROONEY of New York. I yield to the gentleman.

Mr. GROSS. Mr. Speaker, I will say to the gentleman that I am afraid that fishing would be through the ice out there. What I plan to do, with this late adjournment of Congress, is to go fishing for a few more votes than I got last year.

Mr. ROONEY of New York. I should like to suggest that that would be a splendid idea.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

CLERK AUTHORIZED TO RECEIVE MESSAGES

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that notwithstanding the sine die adjournment of the House, the Clerk be authorized to receive messages from the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

AUTHORIZING THE SPEAKER TO ACCEPT RESIGNATIONS AND APPOINT COMMISSIONS, BOARDS, AND COMMITTEES

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that notwithstanding the adjournment of the 1st session of the 89th Congress, the Speaker be authorized to accept resignations, and to appoint commissions, boards, and committees authorized by law or by the House.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

PRINTING OF REPORTS FILED BY INVESTIGATING COMMITTEES

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that reports filed with the Clerk following the sine die adjournment by committee authorized by the House to conduct investigations may be printed by the Clerk as reports of the 89th Congress.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

EXTENSION OF REMARKS OF MEMBERS

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that all Members of the House shall have the privilege, until the last edition authorized by the Joint Committee on Printing is published, to extend and revise their own remarks in the CONGRESSIONAL RECORD on more than one subject, if they so desire, and may also include therein such short quotations as may be necessary to explain or complete such extensions of remarks; but this order shall not apply to any subject matter which may have occurred, or to any speech delivered, subsequent to the adjournment of Congress.

The SPEAKER. Is there objection to request of the gentleman from Louisiana?

There was no objection.

PERMISSION TO EXTEND REMARKS TO CHAIRMEN OF STANDING COMMITTEES AND RANKING MINORITY MEMBERS THEREOF

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that the chairmen of all the standing committees and subcommittees of the House may extend their remarks up to and including the publication of the last RECORD and to include a summary of the work of their committees; also that the ranking minority member of such standing committee or any subcommittee may have the same permission to extend their remarks and to include a summary, if they desire, from their point of view, separately from that of the chairman.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

Mr. GROSS. Mr. Speaker, reserving the right to object, I would like to say to the gentleman from Louisiana that I ap-

preciate the excellent job which he has done in bringing these usual closing resolutions to action on the floor of the House. However, I would like to say that I miss the distinguished floor leader, the distinguished gentleman from Oklahoma [Mr. ALBERT], and his usual manner of presenting these closing resolutions.

Mr. BOGGS. I thank the gentleman from Iowa.

Mr. GROSS. And, I wish for the gentleman from Oklahoma a rapid and complete recovery from his ailment.

Mr. BOGGS. Mr. Speaker, I thank the gentleman from Iowa.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

CAPITOL GROUNDS AND FACILITIES

(Mr. PICKLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PICKLE. Mr. Speaker, I am today introducing a bill to authorize the Architect of the Capitol to plan and construct a Visitor's Center in the Capitol or in the vicinity of the Capitol grounds.

This is a convenience we owe to the citizens of our country, and it is long overdue. Washington has more to offer in the way of scenic attractions and historic sites than any other capital in the world. Yet it seems that we have done less to prepare for our tourists than any other major capital.

Citizens come here to see the Capitol and show their families how their Government works. One of the first things to greet them is the lack of adequate parking. After being shoved about by a policeman, they might find a parking space 4 or 5 blocks away. Then they are told they cannot park there, because that space belongs to Congressman or Senator So-and-So or some other VIP. When they finally reach the Capitol, they have difficulty finding water fountains, restaurants, restrooms, and other facilities.

A tourist center would solve many of these problems. Besides the facilities I have mentioned, it could include maps and other travel information, pictures of Senators and Representatives, charts of the two Chambers, a display of congressional history, and other features to make the stay of visitors both educational and enjoyable.

My bill provides for the Architect of the Capitol to carry out this authority under the joint direction of the House and Senate Office Building Commissions. It is written in general terms to permit these distinguished and dedicated leaders to use their own good judgment in planning and constructing a facility in keeping with the finest traditions of the U.S. Congress.

Mr. Speaker, millions of visitors come to Washington every year, and the numbers are increasing. They should receive a warm and friendly welcome to their Nation's Capitol, but instead, the situation is getting more and more congested. Something needs to be done now. I am hopeful that hearings can



Public Law 89-331
89th Congress, H. R. 11135
November 8, 1965

An Act

79 STAT. 1271

To amend and extend the provisions of the Sugar Act of 1948, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1965".

Sugar Act Amend-
ments of 1965.

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out of the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

61 Stat. 923.
7 USC 1111.

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

76 Stat. 156.
7 USC 1112.

(1) Paragraphs (1) and (2) (A) of subsection (a) are amended to read as follows:

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Quotas, domestic
sugar producing
areas.

"Area	Short tons, raw value
Domestic beet sugar-----	3, 025, 000
Mainland cane sugar-----	1, 100, 000
Hawaii-----	1, 110, 000
Puerto Rico-----	1, 140, 000
Virgin Islands-----	15, 000
Total-----	6, 390, 000

"(2) (A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

Republic of the
Philippines.

(3) Subsection (c) is amended to read as follows:

"(c) (1) For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsection (a) and (b) of this section.

Foreign
countries.

"(2) For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965 (30 F.R. 2206).

"(3) For the calendar year 1966 through 1971, inclusive, for individual foreign countries other than the Republic of the Philippines,

Ireland, and the Bahama Islands, by prorating the amount of sugar determined under paragraph (1) of this subsection, less the amounts required to establish quotas as provided in paragraph (4) of this subsection for Ireland and the Bahama Islands, among foreign countries on the following basis:

“(A) For countries in the Western Hemisphere:

“Country	Per centum
Cuba.....	50.00
Mexico.....	7.73
Dominican Republic.....	7.56
Brazil.....	7.56
Peru.....	6.03
British West Indies.....	3.02
Ecuador.....	1.10
French West Indies.....	.95
Argentina.....	.93
Costa Rica.....	.89
Nicaragua.....	.89
Colombia.....	.80
Guatemala.....	.75
Panama.....	.55
El Salvador.....	.50
Haiti.....	.42
Venezuela.....	.38
British Honduras.....	.22
Bolivia.....	.09
Honduras.....	.09

“(B) For countries outside the Western Hemisphere:

“Country	Per centum
Australia.....	3.60
Republic of China.....	1.50
India.....	1.44
South Africa.....	1.06
Fiji.....	.79
Thailand.....	.33
Mauritius.....	.33
Malagasy Republic.....	.17
Swaziland.....	.13
Southern Rhodesia.....	.13

Ireland.

Bahama Islands.

“(4) For the calendar year 1966 and each subsequent calendar year, for Ireland, in the amount of five thousand three hundred and fifty-one short tons, raw value, of sugar; and for the calendar year 1968 and each subsequent calendar year, for the Bahama Islands, in the amount of ten thousand short tons, raw value, of sugar: *Provided*—That the Secretary obtains such assurances from each such country as he may deem appropriate prior to January 1 of each such calendar year that the quota for such year will be filled with sugar produced in such country.”

(4) Subsections (d), (e), and (f) are hereby amended and subsection (g) is added to read as follows:

“(d) Notwithstanding any other provision of this Act—

“(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for Cuba under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated as follows:

“(i) any quantity of quota withheld from Cuba at a determination up to and including the amount of ten million short tons, raw value, under section 201 shall be prorated to other foreign countries named in paragraph (3) of subsection (c) on the basis of the percentages stated therein; and, in addition,

“(ii) any quantity of quota withheld from Cuba at a determination in excess of the amount of ten million short tons, raw value, under section 201, shall be prorated to other foreign countries named in paragraph (3) (A) of subsection

76 Stat. 156.

7 USC 1112.

Cuba, with-
holding of
quota.

61 Stat. 923.

7 USC 1111.

(c) that are members of the Organization of American States on the basis of the percentages stated therein.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (3) (A) (other than any country whose quota is withheld or suspended) on the basis of the quotas then in effect for such countries.

Withholding of quotas, Presidential determination.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under paragraph (1) (B) of this subsection: *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In authorizing the importation of such sugar the Secretary shall give special consideration to countries which agree to purchase for dollars additional quantities of United States agricultural products. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

Emergency provision.

61 Stat. 923.
7 USC 1111.

Imports from Cuba, restriction.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country, other than the Bahama Islands, Bolivia, Honduras, and Ireland, for the year following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

Import-export restriction.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports

Penalty provision, reduction of quotas.

of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such event), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(6) If any foreign country fails to give assurance to the Secretary, on or before December 31, 1965, that such country will fill the quota as established for it under subsection (c) (3) and paragraph (1) of this subsection for years after 1965, the quota for such country for such years shall be reduced to the amount which the country gives assurance that it will fill for such years. The portion of the quota for such country for which such assurance is not given shall be withdrawn for such years and a quantity of sugar equal to such portion shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of applying paragraph (4) of this subsection, any reduction in the quota of a foreign country under this paragraph shall be disregarded.

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d) (1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d) (1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That

Post, p. 1275.

Restoration of
quotas, Presi-
dential deter-
mination.

61 Stat. 923.
7 USC 1111.

Quota limitation
on quarterly
basis.

this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d) (2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country listed in section 202(c) (3) (A) will be unable to market its quota, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries: *Provided*, That any deficit resulting from the inability of a country which is a member of the Central American Common Market to fill its quota shall first be allocated to the other member countries on the basis of the quotas then in effect for such countries: *And provided further*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under the foregoing provisions of this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c) (3) (A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that any foreign country with a quota established pursuant to section 202(c) (3) (B) or section 202(c) (4) will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c) (3) (B) on the basis of the quotas then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined for any country listed in section 202(c) (3) (B), he shall allocate such unfilled amount to the countries so listed on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c) (3) (B) can fill all of any such deficit, he shall apportion such unfilled amount

Reallocation of
deficits.
76 Stat. 160,
169.

Ante, p. 1272.

Ante, p. 1271.

on such basis and to such foreign countries as he determines is required to fill such deficit. If the Secretary determines that the Republic of the Philippines will be unable to market its quota, he shall allocate an amount of sugar equal to the deficit to the countries listed in section 202(c) (3) on the basis of the quotas then in effect for such countries. Deficits shall not be allocated to any country whose quota has been suspended or withheld pursuant to subsection (d) (1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. In making allocations for foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

“(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: *Provided*, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d) (4) that such failure was due to crop disaster or other force majeure.”

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended, (1) by inserting after the third sentence thereof the following new sentence: “The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single plant processor of sugarbeets or any processor of sugarcane and as may be necessary to avoid unreasonable carryover of sugar in relation to other processors in the area: *Provided*, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value, and the marketing allotment of a processor of sugarcane shall not be increased under this provision above an allotment equal to the effective inventory of sugar of such processor on January 1 of the calendar year for which such allotment is made, except that the marketing allotment for 1965 of any processor of sugarcane, other than a processor-refiner, may, in the discretion of the Secretary, be increased by an additional six thousand two hundred short tons of sugar, raw value: *Provided further*, That the total increases in marketing allotments made pursuant to this sentence to processors in the domestic beet sugar area shall be limited to twenty-five thousand short tons of sugar, raw value, for each calendar year and to processors in the mainland cane sugar area shall be limited to sixteen thousand short tons of sugar, raw value, for each calendar year.”; and (2) by adding at the end of subsection (a) the following sentence: “If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment estab-

Allotment of
quotas.
7 USC 1115.

lished for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorrations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, and Panama may be filled by direct-consumption sugar to the extent of five thousand three hundred and fifty-one short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama."

Sugar-containing products, limitation.
76 Stat. 161.
7 USC 1116.

60 Stat. 238.
5 USC 1003.
Direct-consumption sugar, limitation.
7 USC 1117.

Ante, p. 1275.

76 Stat. 162.
7 USC 1119.

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar" and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

61 Stat. 929.
7 USC 1122.

SEC. 9. (a) Section 212 of the Sugar Act of 1948, as amended, is amended by inserting before the period at the end thereof the following: ", or for the production (other than by distillation) of alcohol, including all polyhydric alcohols, but not including any such alcohol or resulting by-products for human food consumption".

68A Stat. 801.
26 USC 6418.

(b) Section 6418(a) of the Internal Revenue Code of 1954 is amended—

(1) by inserting "OR PRODUCTION" after "DISTILLATION" in the heading of such section, and

(2) by inserting after "the distillation of alcohol," in the text of such section the following: "or for the production of alcohol (other than alcohol produced for human food consumption),".

26 USC 6511.

(c) The heading of section 6511(e)(1) of the Internal Revenue Code of 1954 is amended by inserting "OR PRODUCTION" after "DISTILLATION".

Repeal.
7 USC 1123.

SEC. 10. Section 213 of the Sugar Act of 1948, as amended, is repealed.

Proportionate
shares, deter-
mination.

SEC. 11. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

76 Stat. 164.
7 USC 1132.

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and, beginning with the 1966 crop year, only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane."

Public hearing.

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows: "In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966,

Sugarbeet
acreage
reserves.

inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

76 Stat. 165.
7 USC 1132.

(4) Subsection (b) is amended by adding new paragraphs (8) and (9) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be

Sugarbeet pro-
duction history,
preservation.

allotted to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.

"(9) The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar, raw value. The Secretary is also authorized to reserve from the acreage which would otherwise be allocated to sugarcane producers in the mainland cane sugar area for the 1965 and 1966 crops of sugarcane a total acreage estimated to yield not more than sixteen thousand short tons of sugar, raw value, for each such crop which shall be allocated to relieve hardship on the part of new producers in such manner as the Secretary may determine: *Provided*, That acreage allocated hereunder for the 1965 crop shall be in addition to the total acreage heretofore allocated in such area for the 1965 crop. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph."

Sugarbeet, sugar-
cane acreage
reserves.

SEC. 12. (1) Subsection (b) of section 402 of the Sugar Act of 1948, as amended, is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

Use of Commodity
Credit Corpora-
tion facilities.
61 Stat. 932.
7 USC 1152.
7 USC 1131-
1137.

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country

Sugar consump-
tion require-
ments, esti-
mation.
7 USC 1158.
7 USC 1111-1123.
Ante, p. 1271.
Publication in
Federal Register.

fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reestablished in the same calendar year."

Ante, p. 1273.

76 Stat. 166.
7 USC 1158.

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

Ante, p. 1275.

(4) Subsection (c) of section 408 of such Act is amended to read as follows:

Expropriation of
U.S. property,
penalty.

"(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any bilateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act."

Termination
date.

7 USC 1101 note.

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

26 USC 4501.

SEC. 13. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out

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"1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 14. Except as hereinafter provided, the provisions of this Act shall become effective January 1, 1965. The amendments made by section 4 of this Act shall become effective January 1, 1966. The amendments made by section 9 of this Act shall become effective on the date of the enactment of this Act.

Effective
dates.

Approved November 8, 1965.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 1046 (Comm. on Agriculture) and No. 1209 (Comm. of Conference).

SENATE REPORT No. 909 (Comm on Finance).

CONGRESSIONAL RECORD, Vol. 111 (1965):

Oct. 13: Considered and passed House.

Oct. 19: Considered in Senate.

Oct. 20: Considered and passed Senate, amended.

Oct. 22: House and Senate agreed to conference report.

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